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NOTE: CONTAINS CONFIDENTIAL INFORMATION

BEFORE THE
PUBLIC SERVICE COMMISSION OF FLORIDA

In re: Petition for approval of two unit power sales agreements with Southern Company Services, Inc. for purposes of cost recovery through capacity and fuel cost recovery clauses, by Progress Energy Florida, Inc.	Docket No. 041393-EI

Direct Testimony of

Maurice Brubaker

On behalf of

White Springs Agricultural Chemicals, Inc.
d/b/a PCS Phosphate – White Springs

Project 8400
May 13, 2005

(entire DN)
AH 12-1-06

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BRUBAKER & ASSOCIATES, INC.
St. Louis, MO 63141-2000

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Direct Testimony of Maurice Brubaker

Q **PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

A Maurice Brubaker. My business address is 1215 Fern Ridge Parkway, Suite 208, St. Louis, Missouri 63141-2000.

Q **WHAT IS YOUR OCCUPATION?**

A I am a consultant in the field of public utility regulation and president of Brubaker & Associates, Inc., energy, economic and regulatory consultants.

Q **PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.**

A I have been involved in the regulation of electric utilities, competitive issues and related matters over the last three decades. Additional information is provided in Appendix A, attached to this testimony.

INTRODUCTION AND SUMMARY

Q ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?

A I am appearing on behalf of White Springs Agricultural Chemicals, Inc. d/b/a PCS Phosphate – White Springs (White Springs). White Springs is a manufacturer of fertilizer products with plants and operations located within Progress Energy Florida Inc.'s (PEF) service territory at White Springs, and receives service under numerous rate schedules. During calendar year 2004, White Springs purchased approximately $20 million of power from PEF.

Q WHAT IS THE PURPOSE OF THE TESTIMONY YOU ARE SUBMITTING?

A This testimony will address the request of PEF that the Commission approve as reasonable and prudent for cost recovery purposes two Unit Power Sales agreements (UPS) with one or more subsidiaries of the Southern Company (Southern). The proposed agreements provide for the sale to PEF of 74 megawatts of coal-fired power from Scherer Unit 3 in Georgia, which is owned by Georgia Power Company and Gulf Power Company, and 350 megawatts from a gas-fired combined cycle facility known as Franklin Unit No. 1, which is owned by an unregulated affiliate of Southern, known as Southern Power.

Q PLEASE SUMMARIZE YOUR FINDINGS AND RECOMMENDATIONS?

A My findings and recommendations may be summarized as follows:

1. The short-term cost effectiveness analysis submitted by PEF was grossly overstated, and should not be relied upon.

2. PEF has significantly overstated the claimed economic benefits associated with proposed UPS transactions. By PEF's own numbers,

they are uneconomic over the long-term evaluation period, and any "front end" savings are marginal, at best.

3. PEF should have given serious consideration to replacement of the UPS agreements with constructed or purchased solid fuel capacity well in advance of the expiration of those agreements, but apparently did not do so.

4. PEF has not demonstrated that the "base" plan which it uses to measure the impacts of the two proposed new UPS agreements is a least cost plan. It therefore cannot be claimed as an appropriate benchmark for this purpose.

5. Given the significant amount of capacity at issue with the expiration of the UPS agreements, PEF should have solicited the market in a comprehensive manner, such as through an RFP, for alternative products to compare to the UPS proposal.

6. PEF's projections indicate a sharply increasing reliance upon natural gas-fired generation, and a significantly reduced degree of diversity in its resource portfolio.

7. PEF has indicated that construction of a new coal-fired facility in the 2013 timeframe may be doable. Rather than pursue the proposed UPS agreements at this time, PEF should actively consider installation of a solid fuel facility as early as possible.

8. The existing UPS agreements do not expire until May of 2010, fully five years from now. There is no rush to enter into new agreements for the 2010-2015 time period.

9. There are many uncertainties with respect to the transmission service required to implement the proposed UPS contracts.

10. Various "non-price" factors that PEF cites in support of the UPS agreements are not sufficiently important or quantified to be given any significant weight by the Commission.

11. The Commission should not approve the proposed UPS agreements. Rather, PEF should be required to more fully analyze alternatives prior to any decision being made.

12. Because of the problems with how PEF has approached the capacity expansion issue, and evaluation of the proposed UPS agreements, the Commission should reserve for the pending rate case the question of whether a downward adjustment should be applied to PEF's return on equity.

13. Should the Commission decide to allow PEF to enter into the UPS agreements in this case, it should make them subject to a prudency challenge whenever PEF would seek cost recovery.

PEF'S ECONOMIC ANALYSIS

Q WHAT ECONOMIC JUSTIFICATION HAS PEF SUBMITTED IN SUPPORT OF ITS PROPOSAL THAT THE COMMISSION APPROVE THE UPS AGREEMENTS?

A PEF provided a summary of its economics justification on Exhibit SSW-3 and also on Exhibit SSW-4.

Exhibit SSW-3 shows that over a 45-year period, consisting of the approximately five-year term of the proposed UPS agreements, followed by a 40-year term to capture end effects, the proposed transaction is not beneficial to consumers, relative to what PEF describes as its alternative base plan. On a net present value basis, Exhibit SSW-3 shows that PEF expects the result of entering into the UPS agreements, as compared to pursuing its base plan, would be a net detriment to consumers in the range of $5 million to $11 million. Thus, on its face, and by PEF's own admission, the proposed transactions are not as favorable to consumers as what PEF describes as its base plan.

Q WHAT DOES EXHIBIT SSW-4 PURPORT TO SHOW?

A It purports to show savings under the UPS contracts on an annual and a cumulative present value revenue requirement basis over the same time horizon. PEF's original exhibit claimed cumulative present value savings of $133 million during the five-year term of the proposed UPS contracts. PEF just recently requested permission to file supplemental testimony which acknowledges that it overstated the savings by $89 million, such that it now claims benefits of $44 million.

Q **HAVE YOU EXAMINED PEF'S ORIGINAL AND REVISED CLAIMS?**

A Yes. We have made an alternate analysis, using the costs associated with deferring or advanced generation units. However, since we had no way to check the claimed production cost differentials, we have used PEF's claimed production cost savings and other costs. The calculations are summarized on Exhibit MEB-1 ( ). This exhibit has been marked confidential. It shows the annual revenue requirements associated with the comparison of the UPS units to the Company's base case, and calculates the difference each year in revenue requirements. The results are significantly different than what PEF initially calculated. They show smaller front-end benefits than PEF's proposed revised calculations. They are graphed and presented on Exhibit MEB-2 ( ), which is in a format similar to Exhibit SSW-4, and therefore has not been marked confidential.

Q **WHAT IF PEF'S CLAIMS FOR SAVINGS DURING THIS INITIAL PERIOD WERE ACCEPTED AT FACE VALUE?**

A With respect to the claim that the front-end benefits are substantial, amounting to $133 million (revised to $44 million) over the five-year term of the contracts, even if we accept all of PEF's calculations as appropriate and relevant, extending the time horizon one more year (i.e., to one year beyond the end of the contact term) the same information and calculations demonstrate that these claimed benefits are materially overtaken by extra costs which would not have been incurred under the base plan, reducing the cumulative present value savings of the revenue requirement to about $16 million. After just three more years, it is zero and then negative for about the next 20 years.

For the above reasons, I believe that little or no weight should be given to these claimed front-end savings.

Q **HAVE YOU BEEN ABLE TO FULLY VERIFY THE REVISED CALCULATIONS?**

A No, we have not had an adequate opportunity to fully understand all of the revised calculations, or even many of the calculations supporting both the original and revised modeling. For example, the production savings calculations are simply presented as a result, as an output from a production costing model. We have not been provided with the model or any of the inputs or outputs, and therefore have had no opportunity to test it and determine whether there may still be other issues with respect to PEF's economic calculations.

RESOURCE PLANS

Q **WHAT BASIC APPROACH DID PEF TAKE TO DETERMINE THE ECONOMICS ASSOCIATED WITH THE PROPOSED UPS AGREEMENTS?**

A PEF started with a base case, to which I have alluded previously. This base case is a series of capacity additions that PEF claims it would make in the absence of the proposed UPS agreements. However, the base case itself is one that has not been demonstrated to be a least cost plan that PEF would execute in the absence of the UPS contracts or other alternatives which may exist. While it contains some of the units that were included in the Ten-Year Site Plan as of December 31, 2004, it also includes several units (namely four coal units) which were not included in the previous Ten-Year Site Plan.

Furthermore, no information has been provided in connection either with this base plan or with what was provided in the Ten-Year Site Plans to demonstrate that any of these expansion plans are the least cost expansion plans and appropriate for meeting PEF's expected load obligations in an economical and reliable manner.

Q YOU SAY THAT PEF STARTED WITH THIS BASE PLAN. HOW DID IT THEN VIEW OR TEST THE IMPACT OF THE UPS AGREEMENTS?

A It simply introduced the UPS agreements into the resource portfolio for the period June 2010 through December 2015, and then adjusted the resources in the base plan in a manner that it says it would do were it to enter into these UPS agreements. The net effect, according to PEF, was to defer the installation of two generic combined cycle units, and to advance the installation date of one combustion turbine unit and one pulverized coal unit.

Having adjusted the resource expansion plan in this manner, PEF then ran an economic analysis of the fixed and variable costs, including purchased power and generation variable costs, and compared the revenue requirements under the two plans. This was the source for the numbers displayed on Exhibits SSW-3 and SSW-4, on which I have previously commented.

Q **DID PEF SUPPLY ANY ANALYSIS DEMONSTRATING THAT THE BASE PLAN WHICH IT USED AS A BENCHMARK FOR COMPARISON WAS THE LEAST COST PLAN?**

A No, as I indicated above, it did not. Thus, even assuming that all of the economic calculations were performed correctly, all the comparison tells us is that the proposed UPS transaction is between $5 million and $11 million less desirable from the customers' perspective than this plan, which has been called the base plan, but which has not been shown to be the least cost or best plan in the first place.

Q **DO THE PROPOSED UPS AGREEMENTS MERELY EXTEND OR MODIFY THE EXISTING UPS AGREEMENTS?**

A No, they do not. Whereas presently there is one UPS agreement, the proposal is to have two agreements. More fundamentally, however, the current agreement provides for roughly 80 megawatts of coal-fired power from the Scherer plant and 320 megawatts of coal-fired power from the Miller plant. As noted above, the Scherer plant is jointly owned by Georgia Power Company and Gulf Power Company. The Miller plant is owned by Alabama Power Company. The proposed new UPS agreements continue to provide some (reduced to 74 MW) amount of power from Scherer Unit 3, but the pricing is different. The second contract provides 350 MW gas-fired power from the combined cycle Franklin units, and is an entirely new agreement with a different party.

In addition, the present UPS agreement bundles generation and transmission service together, while the proposed agreements require PEF to seek and contract for transmission service separately from the UPS generating supply.

Thus, instead of being extensions or minor changes to existing agreements, these are entirely new agreements that are materially different.

Q **WHERE ARE THESE PLANTS LOCATED?**

A The Scherer plant is located in Monroe County, Georgia. The Miller plant is located in Jefferson County, Alabama, and the Franklin plant is located near Smiths, Alabama.

Q **ARE THE MILLER AND FRANKLIN PLANTS CLOSE TO EACH OTHER?**

A No, they are not. They are over 100 miles apart and connected to different portions of the Southern Company transmission system. This adds complexity to the transaction because of the need to separately secure transmission service from a facility not involved in the current transaction.

Q **WHY IS THIS AN ISSUE?**

A If the source of the power is changed from the Miller plant to the Franklin plant, the load flows on the Southern system will change. Whether or not the change in load flows adversely affects the transmission system from a thermal or stability point of view must be studied. I will address this in more detail later in this testimony.

Q **HOW LONG HAS PEF KNOWN THAT THE EXISTING UPS AGREEMENT WOULD EXPIRE IN MID-YEAR 2010?**

A This has been a known fact since 1988, when the contract was initially executed. Thus, PEF has had more than adequate time to seriously consider and evaluate appropriate alternatives to these contracts upon their expiration. As explained later in the testimony, it has not done so.

Q **HAVE YOU REVIEWED PEF'S RECENT TEN-YEAR SITE PLANS?**

A Yes. In response to Production of Documents (POD) No. 5, PEF produced copies of the Ten-Year Site Plans filed in the spring of 2001 through 2005. Little or no supporting data was supplied for the 2001 and 2002 site plans. For the more recent plans, there is some discussion of coal-fired alternatives, but the only analysis presented is rather simplistic "screening curves" which examine the theoretical crossover points that show where one technology becomes more economical than another. No economic analyses of coal-fired alternatives were presented as a part of the supporting documentation for the Ten-Year Site Plans, and the resource selections from those plans were exclusively gas-fired combined cycle units (and combustion turbine units). In none of these plans did coal apparently receive a serious analysis by PEF.

Q **IS THERE ANY EVIDENCE THAT PEF GAVE SERIOUS CONSIDERATION TO REPLACING THE UPS AGREEMENTS, UPON THEIR EXPIRATION IN 2010, WITH COAL-BASED POWER?**

A No, quite to the contrary. In POD No. 8, White Springs made the following request:

> "Please provide a copy of any and all documents and communications related to Progress's consideration, evaluation or study of building or acquiring coal-fired generating capacity to replace the coal-fired capacity purchased under Progress's existing unit power sales agreement with SCS."

In response thereto, PEF replied:

> "There are no documents responsive to this request."

This makes it perfectly clear that PEF did not give serious consideration to replacing the expiring coal-based purchased power agreements with either coal-based purchased power contracts or with a constructed facility.

Q SHOULD PEF HAVE CONSIDERED THIS APPROACH TO REPLACING THE CAPACITY FROM THE EXPIRING UPS AGREEMENTS?

A Yes. I believe it was particularly important that PEF undertake these considerations after the gas price spikes that occurred beginning in 2000. That event, coupled with subsequent spikes and escalating price levels, and the continued construction of gas-fired electric generation capacity (by merchants and others) certainly gave rise to concerns that natural gas prices would be both high and volatile. I believe PEF should have devoted more attention to analyzing the comparative risks and economics of natural gas and coal-fired generation.

Q IN ADDITION TO THIS FACTOR, ARE THERE OTHER REASONS WHY PEF SHOULD HAVE BEEN ACTIVELY CONSIDERING ACQUIRING COAL-FIRED POWER?

A Yes. From a resource diversity standpoint, PEF's current projections indicate a significantly increasing dependency on natural gas. For example, the Ten-Year Site Plans show an increase in the percentage of generation from oil and gas-fired resources from 28% in the year 2000, to a projected 34% in 2005, 42% in 2010, and 54% in 2014. This factor also should have led PEF to more actively consider adding coal-fired generation to the system, not only to replace the expiring UPS agreements, but also to meet part of the load growth requirements and maintain closer to an historic fuel diversity. Exhibit MEB-3 (   ) shows this pattern.

Q **HAS THE FLORIDA PSC STAFF COMMENTED ON THIS TREND IN DEPENDENCY ON NATURAL GAS?**

A Yes. The Commission's Division of Economic Regulation issued a report in December of 2004 entitled "A Review of Florida Electric Utility 2004 Ten-Year Site Plans." At Page 6 of that report, in a section entitled "**AREAS OF CONCERN** – *IMPACT OF PLANS ON FUEL DIVERSITY*", the Staff commented as follows:

> "Over the past several years, utilities across the nation and within Florida have selected natural gas-fired generation as the predominant source of new capacity. If this trend continues, natural gas usage will approach the levels of oil usage that Florida was experiencing just prior to the oil embargoes of the 1970's. Recent past experience has shown that natural gas prices can be volatile. Further, Florida's utilities project a wide range of prices for natural gas. These facts, coupled with the Florida utilities' historic under-forecasting of natural gas price and consumption, could further strain Florida's economy. In the 1970's, the Commission took action to encourage the utilities to diversify their fuel mix in an effort to mitigate volatile fuel prices. Based on current fuel mix and fuel price projections, Florida's utilities should

> explore the feasibility of adding solid fuel generation as part of future capacity additions."

Later in the report, at Page 21, in a section entitled "**GENERATING UNIT SELECTION**" Staff commented as follows

> "According to the utilities' *Ten-Year Site Plans*, natural gas is forecasted to play an even more dominant role in electric power generation in Florida over the next ten years. To minimize price and supply volatility, electric power generation must rely on multiple fuel sources. As a result, Florida's utilities should evaluate potential sites for coal capability. To lessen the capital cost impact of building coal-fired units, utilities should look at the possibility of joint ownership of future coal units. Florida's municipal utilities have a successful history of sharing investment costs associated with coal units. Finally, utilities should investigate the possibility of receiving financial assistance through the DOE's CCT Program. As emerging research and development in coal-fired generation reduces high capital costs, emissions, permitting lead times, and investment risk, coal could again play a critical role in electric power generation in Florida."

I believe Staff's comments are right on point, and merit serious consideration. Additional coal-fired capacity in Florida brings many benefits that are not available from gas-fired combined cycle facilities located in Alabama.

Q IS THERE ANY RECENT EVIDENCE THAT PEF IS NOW LOOKING MORE CLOSELY AT INSTALLING COAL-FIRED UNITS?

A Yes. As I indicated earlier, the so-called "base" plan, which PEF has advanced as what it would do absent the proposed UPS agreements, contains four pulverized coal units beginning in the year 2015. Also, in 2004 we begin to see more serious studies, including some conducted by outside parties, of the comparative economics of various types of solid fuel units. These studies indicate the increasing attractiveness of these types of units in light of changes in fuel markets.

In response to Interrogatory No. 15, PEF claims that it would take at least eight years to do the necessary development and construction for a coal-fired generating station, and if one accepts that claim, 2013 would be the earliest feasible in-service date.

In light of these circumstances and other factors noted above, PEF should intensify its efforts in regard to the analysis and development of coal-fired resources, and their expeditious construction if such analysis reveals them to be appropriate choices. So far, it appears that PEF has not undertaken this analysis.

Q **OTHER THAN THE ECONOMIC ANALYSIS ATTACHED TO MR. WATERS' TESTIMONY (SSW-3 AND SSW-4) IS THERE ANY EVIDENCE THAT PEF COMPARED THE PROPOSED NEW UPS AGREEMENTS TO ANY OTHER ALTERNATIVE SOURCE OF POWER – EITHER FROM A CONSTRUCTED FACILITY, OR FROM ALTERNATIVES AVAILABLE FROM THIRD PARTIES IN THE MARKET?**

A There is no such indication. PEF did not conduct any Requests for Proposals (RFPs) or take any other steps to ascertain the possible availability of substitutes for part or all of the expiring UPS agreement. In fact, White Springs asked the following as Interrogatory No. 5:

> "(a) Were any of "recent Requests for Proposals (RFPs)" referred to in line 10 of page 6 of the Direct Testimony of Samuel S. Waters undertaken in connection with the expiration and/or replacement of Progress's existing unit power sales agreement with SCS? (b) If your response to Interrogatory No. 5(a) is anything other than an unqualified "no," please identify each such Request for Proposals that was undertaken in connection with the

expiration and/or replacement of Progress's existing unit power sales agreement with SCS.

In response thereto, PEF stated: "(a) No."

Q WOULD IT HAVE BEEN PRUDENT FOR PEF TO CONDUCT AN RFP FOR THIS PURPOSE?

A Yes, it would have been appropriate and prudent for PEF to do so. Good practice when considering entering into transactions of this magnitude, representing over 400 megawatts of capacity and with a cost (estimated by PEF) over the five-year term of the contract of nearly $300 million in fixed costs, plus fuel, would be to conduct a thorough review of the market to ascertain if there are any other options available which should be considered.

An RFP process is an organized and comprehensive way to approach the market and to solicit input. It is used quite frequently, and in fact PEF uses an RFP approach when it is testing the construction of new facilities. If a comprehensive search is not conducted, PEF may miss economical opportunities available in the marketplace. Furthermore, without this search, PEF cannot demonstrate that its chosen course of action is the appropriate one.

<u>TRANSMISSION ISSUES</u>

Q HAS PEF SECURED THE TRANSMISSION RIGHTS ON THE SOUTHERN SYSTEM THAT ARE NECESSARY TO DELIVER THE POWER FROM THE PROPOSED UPS AGREEMENTS?

A No, it has not.

Q **PLEASE DESCRIBE THE TRANSMISSION SERVICE ARRANGEMENTS IN CONNECTION WITH THE UPS AGREEMENTS.**

A In his Direct Testimony at Page 12, Mr. Waters summarizes the transmission requirements under the UPS Agreements:

> "The agreements call for PEF to submit a request for sufficient transmission Capacity to Southern Company Transmission within 30 days of the effective date of the agreement, November 24, 2004. The agreements further call for PEF to make commercially reasonable efforts to obtain an offer for transmission service by February 16, 2006, a date which may be extended by mutual consent. If any or all of the required transmission service cannot be provided, PEF will notify Southern Company, as seller, of the unavailability. The contracts also provide for PEF notification to Southern Company of the circumstances where transmission may be offered at a total cost greater than the embedded rate for Long Term Firm Transmission Service under Southern Company Transmission's Open Access Transmission Tariff (OATT). Upon notification, Southern Company has the option of offering to sell, including by reassignment, up to the required amount of transmission service, and/or offsetting any transmission costs above the OATT rate.
>
> If the amount of available transmission is less than **280 MW** for the Franklin agreement, or if the transmission available at the OATT rate is below **280 MW**, PEF may terminate the agreement. The similar threshold in the Scherer agreement is **59 MW**."

Q **WHAT IS THE STATUS OF PEF'S TRANSMISSION REQUESTS?**

A Again, in his Direct Testimony at Page 13, Mr. Waters summarizes the status of PEF's transmission service requests:

> "PEF submitted its requests for transmission on November 30, 2004, within the 30 day period required by the agreements. These requests were submitted to Southern Company Transmission as "rollover" requests of the existing transmission paths from Southern Company's Scherer plant and Miller plant under PEF's current UPS agreement. On March 8, 2005, these requests for transmission were accepted and conditionally

confirmed in a letter agreement signed by the parties. The letter agreement stated that Southern Transmission would accept the requests for transmission, and on March 15, the transmission requests were confirmed by PEF. The transmission agreements were contingent on PEF's ability to redirect the Miller transmission path to the Franklin plant, which PEF requested on March 15.

The next step in the process will be a System Impact Study ("SIS") and Southern Company Transmission has already sent notification of this study to PEF. PEF must respond with a deposit towards the study in the immediate future. Once PEF has submitted the deposit, Southern Company Transmission will begin the SIS to either confirm the transmission path for the Franklin purchase, or notify PEF of any system impacts that need to be addressed. If there are system impacts, an additional Facilities Study would follow. However, if no impacts are identified, the transmission request would be confirmed, in effect making PEF the owner of the Scherer and Franklin transmission paths at that time. This could occur any time after our submittal of the SIS deposit."

Q **DO YOU HAVE ANY DOCUMENTATION CONCERNING THE STATUS OF PEF'S TRANSMISSION SERVICE REQUESTS?**

A Yes. In discovery, White Springs asked PEF to explain what it had done to obtain transmission to implement the terms of the UPS Agreements. PEF's response to Interrogatory No. 8 is consistent with Mr. Waters's testimony noted above, and states:

"Please describe Progress's efforts and activities undertaken to obtain transmission to implement the terms of the UPS Agreements.

A. Section 7.4 of the UPS Agreements discusses the Parties requirements for obtaining transmission. Specifically, 7.4.1 required PEF to submit a request for transmission on Southern Company's OASIS within thirty days following the Effective Date of the Agreements. The Effective Date of the Agreements is November 24, 2004.

PEF initiated transmission requests on November 30, 2004 (see Southern OASIS Reference Numbers 519354, 519355),

> requesting rollover of PEF's existing service for Plant Scherer to the Southern-Florida Interface and for Plant Miller to the Southern Florida Interface.
>
> Southern Company then requested PEF to submit two documents: (1) Application for Firm Point-to-Point Transmission Service; and (2) Southern Company Transmission Deposit Information Sheet PEF submitted these documents, along with the Company's deposit, on December 15, 2004.
>
> Southern Company then wrote a Letter Agreement that detailed the study that they would perform, and mailed it to PEF on March 7, 2005. The Parties agreed to terms of the Letter Agreement on March 8, 2005. This Letter Agreement states that Southern would conditionally confirm both of PEF's transmission requests.
>
> On April 12, 2005, Southern Company sent PEF a notice stating that a System Impact Study would be required to determine available transmission capacity. On or before April 18, 2005, PEF submitted a signed original of the System Impact Study agreement. Payment in the amount of $10,000 was wire transferred to Southern Company on April 21, 2005 for the System Impact Study to be performed. Southern Company has acknowledged receipt of PEF's payment."

White Springs also requested a copy of any and all documents related to PEF's response to Interrogatory No. 8, and PEF produced a series of e-mails and agreements concerning the transmission service requested by PEF in response to POD No. 13. I have attached this as Exhibit No. MEB-4 (   ).

Q WHAT IS PEF'S APPARENT BELIEF CONCERNING WHETHER ITS TRANSMISSION SERVICE REQUEST WILL BE GRANTED?

A PEF appears confident that the request it has submitted for redirecting its point of receipt for transmission service from Plant Miller to Plant Franklin will be granted. For example, in response to White Springs's Interrogatory No. 9, PEF stated that it is not aware of any transmission constraints that could impede the implementation of the contract. Mr. Waters also testified at Page 14 of his Direct

Testimony that he had no "reason to believe that PEF will not be able to obtain sufficient transmission service to deliver the proposed purchases from Scherer and Franklin." He based his conclusion on his observation that the magnitude of the purchases is basically the same as is currently being purchased, and that, although a different point of receipt was involved for the Franklin purchase, he said that he had no reason to believe that delivery from the new source will be a problem.

Q WHAT ABOUT TRANSMISSION CAPACITY AT THE FLORIDA-GEORGIA BORDER?

A White Springs also asked in discovery about PEF's transmission rights at the Florida-Georgia interface. In response to Interrogatory No. 7, PEF explained:

> "With respect to the transmission capacity at the Georgia-Florida Interface, please (a) identify each owner of such capacity; and (b) identify and describe Progress's rights to such capacity, including but not limited to the amount of such capacity (in MW), the quality (firmness) of such rights, the duration of such rights, and any rollover rights concerning such rights.
>
> A. a) Based upon the 1990 "Florida-Southern Interface Allocation Agreement", the owners of the Florida – Southern interface are Florida Power and Light Company (FPL), Florida Power Corporation (CORP), Jacksonville Electric Authority (JEA) and the City of Tallahassee (TAL). For purposes of allocation, the Joint Ownership Party (JOP) means Florida Power and Light Company (FPL) and Jacksonville Electric Authority (JEA) collectively.
>
> b) **Subject to check, PEF believes the following information highlighted in yellow is CONFIDENTIAL PROPRIETARY INFORMATION and therefore subject to the Confidentiality agreement between PEF and White Springs.** The Firm allocated Import capability, based on current conditions, is as follows:
>
> JOP = 2962 MW
> CORP = 438 MW
> TAL = 200 MW Assigned

> Total = 3600 MW Southern to Florida
> The allocation agreement was effective June 1, 1990 and automatically renews each year. As this agreement predates FERC Order 888 and subsequent orders, rollover rights for purchases existing at the time of the order are grandfathered in."

Mr. Waters also testified at Page 14 of his Direct Testimony that the interface allocation that currently accommodates the UPS purchases from Southern is sufficient to accommodate the proposed purchases.

Q **DO YOU SHARE MR. WATERS'S OPTIMISM ABOUT THE AVAILABILITY OF TRANSMISSION?**

A Notwithstanding PEF's confidence, it seems speculative at this point to try to determine whether the proposed transmission arrangements are sufficient from a reliability and economics standpoint. Southern has not yet completed its System Impact Study of the rollover and redirected transmission requests.

Q **HAS PEF EXERCISED ITS ROLLOVER RIGHTS WITH RESPECT TO THE TRANSMISSION SERVICE TO IMPLEMENT THE UPS AGREEMENTS?**

A It appears so. PEF's response to White Springs's Interrogatory No. 8 indicate that PEF submitted its transmission service requests in connection with the UPS Agreements using PEF's rollover rights under the current UPS agreement. Mr. Waters's testimony also states at Page 13 that the transmission requests were submitted as rollover requests.

Q PLEASE EXPLAIN FERC'S ELECTRIC TRANSMISSION ROLLOVER RIGHTS POLICIES.

A Section 2.2 of FERC's *pro forma* open access transmission tariff provides that existing long-term firm transmission service customers (including bundled wholesale requirements customers) have the right to continue to take transmission service from the transmission provider when the contract expires, rolls over, or is renewed. This transmission reservation priority is independent of whether the customer continues to purchase capacity and energy from the transmission provider or selects a different supplier, and it is an ongoing right that may be exercised at the end of all firm contract terms of one year or longer, unless the renewal period expires for a given customer to exercise its rollover right. Section 2.2 of Southern's OATT is no different than the section 2.2 of the *pro forma* open access transmission tariff. I have included a copy of section 2.2 of Southern's OATT in Exhibit No. MEB-5 ( ).

Q WHAT IS THE PURPOSE OF THIS ROLLOVER RIGHTS POLICY?

A FERC concluded in its open access rule (Order No. 888) that once a transmission provider evaluates the impacts on its system of providing transmission service to a customer and decides to grant a request for service, the rollover rights policy obligates the transmission provider to plan and operate its system with the expectation that it will continue to provide service to that customer, should the customer request rollover of its contract term within 60 days of the initial term's expiration. That policy applies to existing customers under long-term bundled wholesale contracts. If the transmission system becomes constrained such that the transmission provider cannot satisfy existing customers, then the obligation is on the transmission provider to either curtail service pursuant to the provisions of its OATT or to build more capacity to relieve the constraint.

Q **WHAT IS THE DEADLINE FOR SUBMITTING A REQUEST FOR TRANSMISSION SERVICE USING ROLLOVER RIGHTS?**

A Under FERC's current policies, a transmission customer seeking to exercise its rollover rights under section 2.2 of the OATT must submit its request by no later than 60 days before the customer's existing transmission service agreement expires. The transmission customer does not need to submit its request before that time, even if other customers or eligible customers have submitted requests for transmission service that would conflict with the rollover customer's transmission rights. Indeed, PEF seems to recognize this point. In response to White Springs's Interrogatory No. 10, PEF states:

> "Please identify the person(s) in the Southern Company transmission queue with a priority higher than that of Progress with respect to Progress's request for transmission capacity intended to be used to implement the UPS Agreements.
>
> A. Since the transmission associated with the UPS Agreements is subject to rollover rights associated with the existing agreements, there are no entities with a priority higher than Progress."

Q **WHAT DOES THAT MEAN FOR PEF'S ROLLOVER RIGHTS?**

A PEF's rollover rights under Southern's OATT's for transmission service under the existing UPS agreement do not expire until 60 days before the current UPS agreement expires on May 31, 2010. So, PEF has until April 2, 2010 to exercise its rollover rights.

Accordingly, I do not believe there is any merit to PEF's claim in its April 15, 2005 Answer to White Spring's Petition for Hearing that "To maintain the rollover rights, PEF must submit a System Impact Study Agreement for the redirection request in the immediate future, at which point Southern can act on the request at any time." (Answer at 3.)

There are at least three reasons for this belief. First, it is important for the Commission to understand that PEF will not lose its rollover rights until April 2, 2010 – the date that is 60 days before the expiration of the current UPS agreement. That is what Southern's OATT and FERC's rollover rights policy provides. Stated differently, PEF's rollover rights are independent of the UPS Agreements. Nothing in the current UPS agreement, the Southern OATT or FERC's rollover rights policy jeopardizes PEF's rollover rights if it fails to act at this time.

Second, documents and information provided to White Springs in discovery indicate that PEF already has submitted its SIS deposit and signed the SIS Agreement. (See POD No. 13 in Exhibit No. MEB-4 ( ); and PEF's response to Interrogatory No. 8.) That means that PEF has already put the wheels in motion for its transmission request – it will be acted on whether or not this Commission approves the UPS Agreements. There is therefore no need to rush to judgment here.

Third, PEF's real concern seems to be its position in the Southern transmission request queue with respect to its redirect request. That redirect request would change the point of receipt for transmission service in connection with the Franklin UPS Agreement from Plant Miller to Plant Franklin. Apparently, Southern and PEF are treating the transmission arrangements under the existing UPS agreements as point-to-point transmission service in which Plant Miller and Plant Scherer are the points of receipt (and the Florida-Georgia interface as the point of delivery). Under the rollover rights policy, Plant Miller and Plant Scherer are guaranteed as points of receipt. Under section 22.2 of the Southern OATT, redirecting Plant Miller to Plant Franklin on a firm basis would require a new study, and would be subject to any requests with a higher priority (a copy of section 22.2 of Southern's OATT is included in my Exhibit No. MEB-5 (   )). However, moving quickly to "lock in" Plant Franklin as a point of receipt begs the question of whether Plant Franklin is the best source.

Q **DO THE UPS AGREEMENTS HAVE ANY EFFECT ON THE CAPACITY AT THE FLORIDA-GEORGIA INTERFACE?**

A No. The allocation of the transmission capacity at the Florida-Georgia interface is governed by separate agreements among the owners of the interface capacity. That allocation should not be affected by the power supply arrangements of the parties who are allocated and use the capacity. In addition, Mr. Waters states at Page 14 of his direct testimony that the interface allocation that currently accommodates the UPS purchases from Southern is sufficient to accommodate the proposed purchases. But, nowhere does he state that the interface allocation may be used ***only*** for the delivery of the power under a UPS agreement with Southern.

Q **WHAT DOES MR. WATERS CONCLUDE REGARDING THE TIMING OF THE COMMISSION'S DECISION IN THIS PROCEEDING AS IT RELATES TO TRANSMISSION?**

A Mr. Water claims at Page 15 of his direct testimony that there is a chance that PEF could be committed to transmission without approval of the corresponding purchases. His conclusion is based on his observation that transmission service could be offered at any time after PEF submits the SIS deposit. He goes on to note that the date by which PEF must obtain Commission approval of the UPS Agreements is tied to the notices related to transmission service. According to Mr. Waters, a delayed decision by the Commission may put the agreements at "risk."

Q **WHAT DO YOU MAKE OF THESE CONCLUSIONS?**

A Mr. Waters has put the cart before the horse. In effect, Mr. Waters is arguing that the Commission should approve the UPS Agreements because PEF will have obtained transmission service to implement the contracts' terms.

Moreover, the jam that PEF apparently finds itself in is entirely of its own making. If the Commission approved PEF's approach here, it would mean that regulated utilities could agree upon compressed schedules for approval in their agreements, and then use those schedules to rush the Commission into approval. This is especially problematic in light of the overstated economic benefits of the UPS Agreements.

Q WHAT ABOUT PEF'S CLAIM THAT IT WOULD BE REQUIRED TO TAKE THE TRANSMISSION CAPACITY IMMEDIATELY IF SOUTHERN'S SYSTEM IMPACT STUDY SHOWS THE REQUEST TO REDIRECT MILLER TO FRANKLIN CAN BE ACCOMMODATED?

A PEF made the decision to enter into the UPS Agreements and to agree to the clauses requiring it to obtain transmission without first having obtained Commission approval. PEF made the decision to agree to and submit a conditional firm transmission service request in which it would be deemed to have accepted the transmission upon completion of the SIS. It is difficult to see why PEF's decisions in these matters should force the Commission to approve the UPS Agreements.

More important, the March 7, 2005 letter agreement between PEF and Southern (provided in response to POD No. 13 and included at Pages 37-39 in Exhibit MEB-4 ( ), and marked as confidential) appears to be the only document provided to us that specifies the terms by which PEF will be obligated to immediately acquire the transmission capacity if the SIS shows that there are no constraints or required facilities upgrades. It states that the rollover requests are "CONFIRMED" on Southern's OASIS, but that confirmation of these requests will be conditional in nature. Under the conditions specified in Paragraph 3 of the letter agreement, if the redirect request cannot be accommodated, then PEF may direct Southern to "afford" the conditional confirmed reservations a status of "ANNULLED." If the redirect request can be accommodated, then the parties "intend, at that time and in the manner provided by the [OATT], to enter into any such agreements that are necessary to implement arrangements that would enable Southern to provide and FPC to take and pay for transmission service under the [OATT] based on the results of the above-described evaluation(s)."

There is absolutely nothing automatic about PEF acquiring the redirected transmission, even if it is available. Moreover, there is nothing in the signed SIS agreement (also included at Pages 43 and 44 in Exhibit No. MEB-4 (   ), and also marked as confidential) locking PEF into transmission if the SIS shows that the redirect transmission request can be accommodated.

Under the OATT, a transmission customer (PEF) can decide whether to proceed with its transmission service request after the transmission provider (Southern) issues its SIS report. (Section 19.3 of Southern's OATT, which is included in my Exhibit No. MEB-5 (   ).) Finally, Paragraph 4 of the letter agreement states that it "does not bind either Party beyond the terms set forth herein." Quite simply, PEF is not locked into any redirected transmission arrangements at this time. Indeed, if PEF should find itself in the position of having committed to transmission without Commission approval of the UPS agreements it will be as a result of its own actions and the Commission should find that PEF's shareholders, not its customers, are responsible for all transmission related costs.

Q **ARE THERE ANY FACTORS THAT WOULD MITIGATE SUCH AN OUTCOME HERE?**

A Yes. PEF completely ignores its ability to remarket the transmission capacity if it is unable to use it. Section 23.1 of the Southern OATT permits a transmission customer to release its firm reserved capacity on a short-term basis, subject to recall. (A copy of section 23.1 of Southern's OATT is included in my Exhibit No. MEB-5 ( ).) If PEF finds itself locked into a transmission contract that it is unable to use, it can mitigate its damages by reassigning its capacity, either permanently or until it is able to make use of it.

In addition, PEF could request deferral of the commencement of service under its transmission service agreement. Section 17.7 of Southern's OATT permits up to five one-year deferrals of the service commencement date, upon payment of one month's transmission service charges. (A copy of section 17.7 of Southern's OATT is included in my Exhibit No. MEB-5 ( ).) If PEF is unable to use the transmission capacity that it reserves as a result of its pending request, then it can exercise its rights to defer commencement of service by paying one month's transmission charges. That procedure, which could not be used until the June 1, 2010 service commencement date, may be helpful at that time if the capacity is not needed by PEF and there is not a market for reassignment.

Neither Mr. Waters nor PEF makes any mention of these procedures that would allow PEF to mitigate its exposure to costs resulting from its acquisition of transmission pending the Commission's review of the UPS Agreements.

Finally, even if the SIS report shows that the redirect transmission request can be accommodated, nothing in the Southern OATT would prevent PEF from asking for an extension from Southern to determine whether to act on its request.

Q GIVEN THE STATUS OF THE TRANSMISSION REQUEST, CAN IT BE SAID THAT THE ECONOMICS PRESENTED BY PEF WILL NOT CHANGE?

A No. It is entirely possible that Southern will require certain system modifications to be made before it will agree to approve the transmission necessary to accomplish the proposed UPS transactions. Depending upon the amount of any capital contribution that might be required from PEF, the economics of the proposed UPS transactions could become even more negative. Without knowing what the transmission will cost, it is not possible to know whether or not it is feasible or even marginally economic to enter into the proposed UPS agreements.

Q SHOULD THE COMMISSION REQUIRE THE SIS RESULTS BEFORE CONSIDERING THE UPS AGREEMENTS?

A Yes. The results of the SIS study should be known in approximately 60 days from the submission date. At that point the Commission will know whether transmission will be available and whether PEF's customers would be saddled with substantial system improvement costs.

OTHER BENEFITS CLAIMED BY PEF

Q BEGINNING AT PAGE 10 OF HIS DIRECT TESTIMONY, AND CONTINUING TO PAGE 12, PEF WITNESS WATERS DISCUSSES WHAT HE REFERS TO AS SEVERAL "OTHER" BENEFITS OF THE PROPOSED UPS AGREEMENTS. DO YOU HAVE ANY COMMENTS ON THESE CLAIMED NON-ECONOMIC RELATED BENEFITS?

A Yes, I do. The first factor he mentions is that the proposed UPS agreements would contribute to fuel diversity. By this he means that PEF would have the rights to 74 megawatts of Southern coal-based generation, which is more than it says it would have when the existing UPS agreement expires. Actually, for this to be true, the assumption must be made that there are no other sources of coal-fired power during this period of time, and/or that absent the UPS agreements PEF would not be able to construct or otherwise acquire a coal-based facility prior to 2015. PEF has not established this to be the case, and in fact has indicated that development of a new coal-fired generating facility might be possible by 2013. (See response to Interrogatory No. 15.)

The second factor mentioned by Mr. Waters is contribution to the availability of economy energy. He bases this on the asserted superior access to transmission facilities provided the UPS agreements are executed. As discussed elsewhere, PEF's opportunities are not so limited. Interestingly, he specifically references the ability to acquire energy during hours when the combined-cycle units available under the UPS agreement are not scheduled. This is effectively an admission that during these hours the output of the combined-cycle unit will be out of market and not economic.

The third factor he mentions is increased reliability. The argument he makes here is that PEF will maintain the transmission path to Southern for supplies when Scherer or Franklin are unavailable, and he also points out that the Franklin unit will be served from a gas supply system separate from those that serve other PEF units. There is more to this issue than he discusses. With respect first to the transmission path to the Southern system, PEF will continue to have import rights at the Florida-Georgia border, irrespective of any UPS agreements. Thus, imports to maintain reliability would not be diminished in the absence of the UPS agreements, and in fact to the extent that capacity were built in Florida, rather than acquired from Georgia, there would be a greater amount of import capability for reliability purposes.

The next factor he mentions is cost certainty, stating that purchases from existing units provide greater assurance of cost and performance than might be obtained from units that would need to be constructed. This may or may not be the case, depending upon what would be acquired or constructed, and the nature of the contractual arrangements. Furthermore, if there are credible non-gas fired resources, the UPS Agreements actually increase price risk.

He then mentions the right of first refusal if additional coal capacity on the Southern system should be offered to the wholesale market. There is no analysis of the probability of this being the case, and thus it is not possible to evaluate the benefits associated with this right.

The last factor mentioned is planning flexibility. Mr. Waters indicates that the agreements provide for extension of the combined cycle contract for two years at PEF's option. While there may be some benefit here, there is no analysis or demonstration that similar benefits would not be available absent the UPS agreements.

Q **WHAT SHOULD BE DONE?**

A The Commission should decline to approve the UPS agreements until FERC has completed its investigation of the credible allegations concerning the Southern Companies. At a minimum, the Commission should protect Progress' customers by declining to approve the agreements for cost recovery until FERC completes its investigation.

OTHER ISSUES CONCERNING UPS AGREEMENTS

Q ARE THERE ADDITIONAL REASONS TO BE CONCERNED ABOUT THE REASONABLENESS OF THE TWO UPS AGREEMENTS?

A Yes. Given that PEF is asking for approval of these contracts five years before the end of the current contract term, the Commission should be concerned by the considerable uncertainty that exists concerning potential federal regulatory impacts on the Southern Companies' wholesale activities. Specifically, FERC recently initiated multiple investigations of the Southern Companies that could significantly affect whether additional competitive alternatives to the UPS agreements may be available during the 2010-2015 term of the contracts.

Q PLEASE DESCRIBE THE SOUTHERN COMPANY ENTITIES INVOLVED IN THE PROPOSED UPS AGREEMENTS.

A As noted earlier, several Southern Company entities are involved in the UPS agreements. Southern Power Company ("Southern Power") owns the Plant Franklin gas-fired combined cycle facility, and is the Seller with respect to the Unit Power Sales Agreement for 350 MW from that facility. Georgia Power Company and Gulf Power Company own the Plant Scherer Unit No. 3, and are the Sellers with respect to the Unit Power Sales Agreement for 74 MW from that facility. In each case Southern Company Services ("SCS") acts as agent for the Seller. SCS is also the Southern Company entity responsible for administering transmission services on the Southern Company system, and as such will act on the PEF transmission requests that are a condition precedent to the UPS agreements. Each of these Southern entities is subject to the ongoing FERC investigations.

Q **PLEASE BRIEFLY DESCRIBE THE FERC INVESTIGATIONS OF THE SOUTHERN COMPANIES.**

A There are three ongoing FERC investigations concerning the exercise of market power by the Southern Companies. First, on December 17, 2004 FERC instituted an investigation under section 206 of the Federal Power Act concerning the justness and reasonableness of the Southern Companies'[1] market-based rates, based on the Southern Companies failure of FERC's generation market power screen.[2] That investigation involves Southern's generation market power within its control area. Second, on May 5, 2005 FERC initiated a separate Section 206 investigation to determine whether the Southern Companies failed the remaining three prongs of FERC's market based rate analysis: transmission market power, barriers to entry, and affiliate abuse or reciprocal dealing ("Rehearing Order").[3] Third, in a concurrent order, FERC also initiated an investigation concerning allegations concerning the Southern Companies

[1] The Southern Companies include Southern Company Services, Alabama Power Company, Georgia Power Company, Gulf Power Company, Mississippi Power Company, Savannah Electric and Power Company and Southern Power Company.
[2] *Southern Companies Energy Marketing Inc. and Southern Companies Services, Inc.*, 109 FERC 61,275 (2004).
[3] Order on Rehearing, *Southern Companies Energy Marketing Inc. and Southern Companies Services, Inc.*, 111 FERC 61,144 (2005).

Intercompany Interchange Contract ("IIC") ("IIC Order").[4] The IIC is an agreement among the six Southern operating companies, including Southern Power, that establishes a closed power pool (the "Southern Pool").

Q PLEASE EXPLAIN WHAT CONCERNS FERC HAS EXPRESSED ABOUT THE SOUTHERN COMPANIES' ACTIONS.

A FERC has determined that there are credible concerns that the Southern Companies, including the Southern entities involved in the UPS agreements, have exercised market power to the detriment of wholesale competition and wholesale customers in the Southeast. For example, in the IIC Order at Paragraph 35 FERC observed that:

> "The participants have raised credible allegations . . . that the relationship between Southern Power and other Southern Companies, including Southern Services and the inclusion of Southern Power in the IIC and Southern pool, as well as the conduct of several of the Southern Companies may have resulted in unduly preferential or unduly discriminatory conduct in violation of the FPA and/or in violations of Part 37 of the Commission's regulations, to the detriment of wholesale competition and customers in the southeast. It is appropriate to allow the participants to continue to investigate these allegations in a hearing. We are also concerned that the IIC (including how ratepayers are impacted by the sharing of costs and revenues under the IIC and whether native load wholesale customers are receiving a proper share of revenue credits from off-system sales) may not be just and reasonable, may allow Southern Power to enjoy an undue preference by virtue of its pool membership that adversely impacts wholesale competition and wholesale customers, and may lack sufficient clarity and transparency to ensure its justness and reasonableness. These issues should be addressed in the hearing."

[4] Order Establishing Hearing Procedures, *Southern Company Services, et al., 111* FERC 61,146 (2005).

Q **WHAT IMPACT MIGHT FERC'S INVESTIGATIONS HAVE ON THE UPS AGREEMENTS?**

A While I am not testifying as a legal expert, a plain reading of the orders reveals that the FERC investigations may have several significant impacts on the UPS agreements. First, FERC could decide that the Southern Companies do not meet FERC's test for market-based rates and presumably could revoke Southern's market-based rate authority.

Second, should FERC decide to open the closed Southern Pool to other competitors, Progress could have access to additional competitive options during the time frame of the UPS agreements. By approving the UPS agreements now, notwithstanding that the term of the agreements is 2010-2015, the Commission could foreclose the possibility of Progress' customers benefiting from such competitive options.

Third, the Commission should be hesitant to approve, far in advance, transactions that may be tainted by Southern Companies' market power. As FERC has recognized, there are credible allegations that the Southern Companies have used their market power to harm wholesale competition, and wholesale customers, in the Southeastern United States. Such a result would harm both Progress and its customers. For example, if Southern has used its market power to deprive PEF of competitive alternatives, PEF's customers would bear the burden of higher prices.

RECOMMENDATION

Q WHAT IS YOUR RECOMMENDATION?

A For the reasons indicated above, I recommend that the Commission deny PEF the authority to enter into the proposed UPS contracts until and unless it provides a more thorough analysis of options available to it, including accelerated pursuit of solid fuel resources.

Q DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A Yes, it does.

Qualifications of Maurice Brubaker

Q **PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

A Maurice Brubaker. My business address is 1215 Fern Ridge Parkway, Suite 208, St. Louis, Missouri 63141.

Q **PLEASE STATE YOUR OCCUPATION.**

A I am a consultant in the field of public utility regulation and President of the firm of Brubaker & Associates, Inc., energy, economic and regulatory consultants.

Q **PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.**

A I was graduated from the University of Missouri in 1965, with a Bachelor's Degree in Electrical Engineering. Subsequent to graduation I was employed by the Utilities Section of the Engineering and Technology Division of Esso Research and Engineering Corporation of Morristown, New Jersey, a subsidiary of Standard Oil of New Jersey.

In the Fall of 1965, I enrolled in the Graduate School of Business at Washington University in St. Louis, Missouri. I was graduated in June of 1967 with the Degree of Master of Business Administration. My major field was finance.

From March of 1966 until March of 1970, I was employed by Emerson Electric Company in St. Louis. During this time I pursued the Degree of Master of Science in Engineering at Washington University, which I received in June, 1970.

In March of 1970, I joined the firm of Drazen Associates, Inc., of St. Louis, Missouri. Since that time I have been engaged in the preparation of numerous studies relating to electric, gas, and water utilities. These studies have included analyses of the cost to serve various types of customers, the design of rates for utility services, cost forecasts, cogeneration rates and determinations of rate base and operating income. I have also addressed utility resource planning principles and plans, reviewed capacity additions to determine whether or not they were used and useful, addressed demand-side management issues independently and as part of least cost planning, and have reviewed utility determinations of the need for capacity additions and/or purchased power to determine the consistency of such plans with least cost planning principles. I have also testified about the prudency of the actions undertaken by utilities to meet the needs of their customers in the wholesale power markets and have recommended disallowances of costs where such actions were deemed imprudent.

I have testified before the Federal Energy Regulatory Commission (FERC), various courts and legislatures, and the state regulatory commissions of Alabama, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, Florida, Georgia, Guam, Hawaii, Illinois, Indiana, Iowa, Kentucky, Louisiana, Michigan, Missouri, Nevada, New Jersey, New Mexico, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, South Carolina, South Dakota, Texas, Utah, Virginia, West Virginia, Wisconsin and Wyoming.

The firm of Drazen-Brubaker & Associates, Inc. was incorporated in 1972 and assumed the utility rate and economic consulting activities of Drazen Associates, Inc., founded in 1937. In April, 1995 the firm of Brubaker & Associates, Inc. was formed. It includes most of the former DBA principals and staff. Our staff includes consultants with backgrounds in accounting, engineering, economics, mathematics, computer science and business.

During the past ten years, Brubaker & Associates, Inc. and its predecessor firm has participated in over 700 major utility rate and other cases and statewide generic investigations before utility regulatory commissions in 40 states, involving electric, gas, water, and steam rates and other issues. Cases in which the firm has been involved have included more than 80 of the 100 largest electric utilities and over 30 gas distribution companies and pipelines.

An increasing portion of the firm's activities is concentrated in the areas of competitive procurement. While the firm has always assisted its clients in negotiating contracts for utility services in the regulated environment, increasingly there are opportunities for certain customers to acquire power on a competitive basis from a supplier other than its traditional electric utility. The firm assists clients in identifying and evaluating purchased power options, conducts RFPs and negotiates with suppliers for the acquisition and delivery of supplies. We have prepared option studies and/or conducted RFPs for competitive acquisition of power supply for industrial and other end-use customers throughout the Unites States and in Canada, involving total needs in excess of 3,000 megawatts. The firm is also an associate member of the Electric Reliability Council of Texas and a licensed electricity aggregator in the State of Texas.

In addition to our main office in St. Louis, the firm has branch offices in Phoenix, Arizona; Chicago, Illinois; Corpus Christi, Texas; and Plano, Texas.

MEB:cs/84004228

Docket No. 041393-EI
Witness: Maurice Brubaker
Exhibit No. MEB-1 (   )
Estimate of Differential Revenue Requirements

REDACTED VERSION

BEFORE THE
PUBLIC SERVICE COMMISSION OF FLORIDA

In re: Petition for approval of two unit power sales agreements with Southern Company Services, Inc. for purposes of cost recovery through capacity and fuel cost recovery clauses, by Progress Energy Florida, Inc.	Docket No. 041393-EI

Exhibit No. MEB-1 (   )
ESTIMATE OF DIFFERENTIAL REVENUE REQUIREMENTS WITH AND WITHOUT PROPOSED UPS AGREEMENTS BASED ON FPC EXPANSION PLAN ASSUMPTIONS

On behalf of

White Springs Agricultural Chemicals, Inc.
d/b/a PCS Phosphate – White Springs

Project 8400
May 13, 2005

BAI
BRUBAKER & ASSOCIATES, INC.
St. Louis, MO 63141-2000

Docket No. 041393 - EI
Witness: Maurice Brubaker
Exhibit No. MEB - 1 (___)
Comparative Revenue Requirements

Estimate of Differential Revenue Requirements
With and Without Proposed UPS Agreements
Based on PEF Expansion Plan Assumptions

CONTAINS CONFIDENTIAL INFORMATION

Discount rate	8.16%
Escalation rate	2.50%

	In-service month	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Base Case Capital Rev Req ($K)																		
2010 CC	5	36	52	50	48	46	45	43	42	40	38	37	35	34	32	31	29	28
2012 CC	5			37	55	53	51	49	47	45	44	42	40	39	37	36	34	32
2017 Coal	5								104	153	149	145	142	138	135	132	129	126
2019 CT	5										11	16	15	15	14	14	13	13
Total		36	52	87	103	99	95	92	192	238	242	240	233	226	219	212	205	199
With Southern Rev Req ($K)																		
2011 CC	5		36	53	51	49	48	46	44	43	41	39	38	36	35	33	32	30
2018 CC	5									43	63	61	59	57	55	53	51	49
2015 Coal	12						12	146	142	138	135	131	128	125	123	120	117	114
2017 CT	5								11	15	15	14	13	13	12	12	11	11
Total		0	36	53	51	49	60	192	197	240	254	246	238	231	224	218	211	204
Delta Capital Costs ($million)		-36	-15	-34	-52	-50	-35	100	4	1	11	6	6	6	6	6	5	5
Delta Prod Costs ($million)		6	15	19	18	18	18	-45	8	4	0	0	0	0	0	0	0	0
Other Purchase Costs ($million)		8	15	15	15	15	15	0	0	0	0	0	0	0	0	0	0	0
Net ($million)		-22	15	-1	-18	-17	-3	55	12	5	11	6	6	6	6	5	5	5
Cumulative PVRR (2010 $million)		-22	-8	-9	-23	-36	-37	-3	4	6	12	15	17	19	21	23	25	26

Docket No. 041393 - EI
Witness: Maurice Brubaker
Exhibit No. MEB - 1 (___)
Comparative Revenue Requirements

Estimate of Differential Revenue Requirements With and Without Proposed UPS Agreements Based on PEF Expansion Plan Assumptions

CONTAINS CONFIDENTIAL INFORMATION

Discount rate	8.16%
Escalation rate	2.50%

	In-service month	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043
Base Case Capital Rev Req ($K)																		
2010 CC	5	26	25	23	22	21	20	19	18	66	96	93	89	86	83	80	77	74
2012 CC	5	31	29	28	26	25	23	22	21	20	19	69	101	97	94	90	87	84
2017 Coal	5	123	120	117	115	112	109	106	104	101	98	95	94	93	92	91	91	90
2019 CT	5	12	11	11	10	10	9	9	8	8	8	7	7	7	7	6	6	6
Total		192	186	180	173	167	161	156	151	195	221	265	291	283	276	268	261	254
With Southern Rev Req ($K)																		
2011 CC	5	29	27	28	24	22	21	20	19	19	68	99	95	92	88	85	82	79
2018 CC	5	47	45	43	41	40	38	36	34	32	30	29	27	25	24	23	22	80
2015 Coal	12	112	109	106	104	101	99	96	93	91	89	88	88	87	86	86	85	84
2017 CT	5	10	10	9	9	8	8	7	7	7	7	6	6	6	6	6	20	28
Total		198	191	185	178	172	165	160	154	149	194	222	216	210	204	199	209	272
Delta Capital Costs ($million)		5	5	5	5	5	4	4	3	-46	-27	-43	-76	-74	-71	-69	-52	18
Delta Prod Costs ($million)		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Purchase Costs ($million)		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net ($million)		5	5	5	5	4	4	4	3	-46	-27	-43	-76	-74	-71	-69	-52	18
Cumulative PVRR (2010 $million)		28	29	30	31	32	33	33	34	27	24	19	10	3	-4	-10	-14	-13

Docket No. 041393 - EI
Witness: Maurice Brubaker
Exhibit No. MEB - 1 (___)
Comparative Revenue Requirements

Estimate of Differential Revenue Requirements With and Without Proposed UPS Agreements Based on PEF Expansion Plan Assumptions

CONTAINS CONFIDENTIAL INFORMATION

Discount rate	8.16%
Escalation rate	2.50%

	In-service month	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056
Base Case Capital Rev Req ($K)														
2010 CC	5	71	69	66	63	60	57	55	52	49	46	43	41	38
2012 CC	5	81	78	75	72	69	66	63	60	57	54	51	48	46
2017 Coal	5	89	89	88	87	87	86	86	85	85	84	84	83	83
2019 CT	5	21	30	29	27	26	25	24	23	22	21	20	19	18
Total		262	265	257	250	242	235	228	220	213	206	199	192	185
With Southern Rev Req ($K)														
2011 CC	5	76	73	70	67	64	62	59	56	53	50	47	44	42
2018 CC	5	117	113	109	105	101	97	94	90	87	83	80	77	73
2015 Coal	12	84	83	83	82	82	81	81	80	80	79	79	33	392
2017 CT	5	27	26	25	24	23	22	21	20	19	18	17	16	16
Total		304	295	287	278	270	262	254	247	239	231	224	171	522
Delta Capital Costs ($million)		42	30	29	29	28	27	27	26	26	25	25	-21	337
Delta Prod Costs ($million)		0	0	0	0	0	0	0	0	0	0	0	0	0
Other Purchase Costs ($million)		0	0	0	0	0	0	0	0	0	0	0	0	0
Net ($million)		42	30	29	29	28	27	27	26	26	25	25	-21	337
Cumulative PVRR (2010 $million)		-10	-8	-6	-5	-3	-2	-1	0	1	2	3	2	11

Docket No. 041393-EI
Witness: Maurice Brubaker
Exhibit No. MEB-2 (   )
Estimate of Differential Revenue Requirements

BEFORE THE
PUBLIC SERVICE COMMISSION OF FLORIDA

In re: Petition for approval of two unit power sales agreements with Southern Company Services, Inc. for purposes of cost recovery through capacity and fuel cost recovery clauses, by Progress Energy Florida, Inc.	Docket No. 041393-EI

Exhibit No. MEB-2 (   )
ESTIMATE OF DIFFERENTIAL REVENUE REQUIREMENTS WITH AND WITHOUT PROPOSED UPS AGREEMENTS BASED ON FPC EXPANSION PLAN ASSUMPTIONS

On behalf of

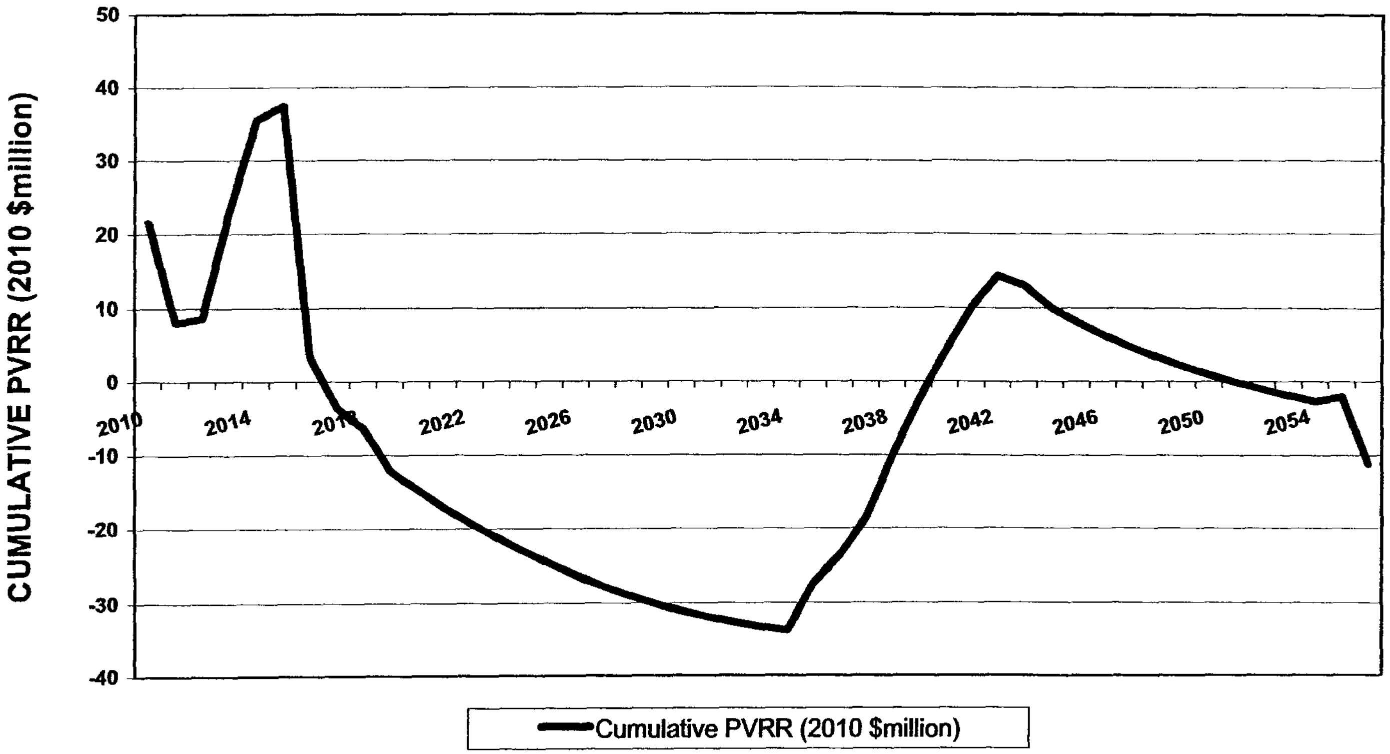
White Springs Agricultural Chemicals, Inc.
d/b/a PCS Phosphate – White Springs

Project 8400
May 13, 2005

BAI
BRUBAKER & ASSOCIATES, INC.
St. Louis, MO 63141-2000

Docket No. 041393 - EI
Witness: Maurice Brubaker
Exhibit No. MEB - 2 (___)
Comparative Revenue Requirements

Estimate of Differential Revenue Requirements With and Without Proposed UPS Agreements Based on PEF Expansion Plan Assumptions



Docket No. 041393-EI
Witness: Maurice Brubaker
Exhibit No. MEB-3 (   )
Actual and Projected PEF Gas/Oil Reliance

BEFORE THE
PUBLIC SERVICE COMMISSION OF FLORIDA

In re: Petition for approval of two unit power sales agreements with Southern Company Services, Inc. for purposes of cost recovery through capacity and fuel cost recovery clauses, by Progress Energy Florida, Inc.	**Docket No. 041393-EI**

Exhibit No. MEB-3 (   )
ACTUAL AND PROJECTED PEF GAS/OIL RELIANCE

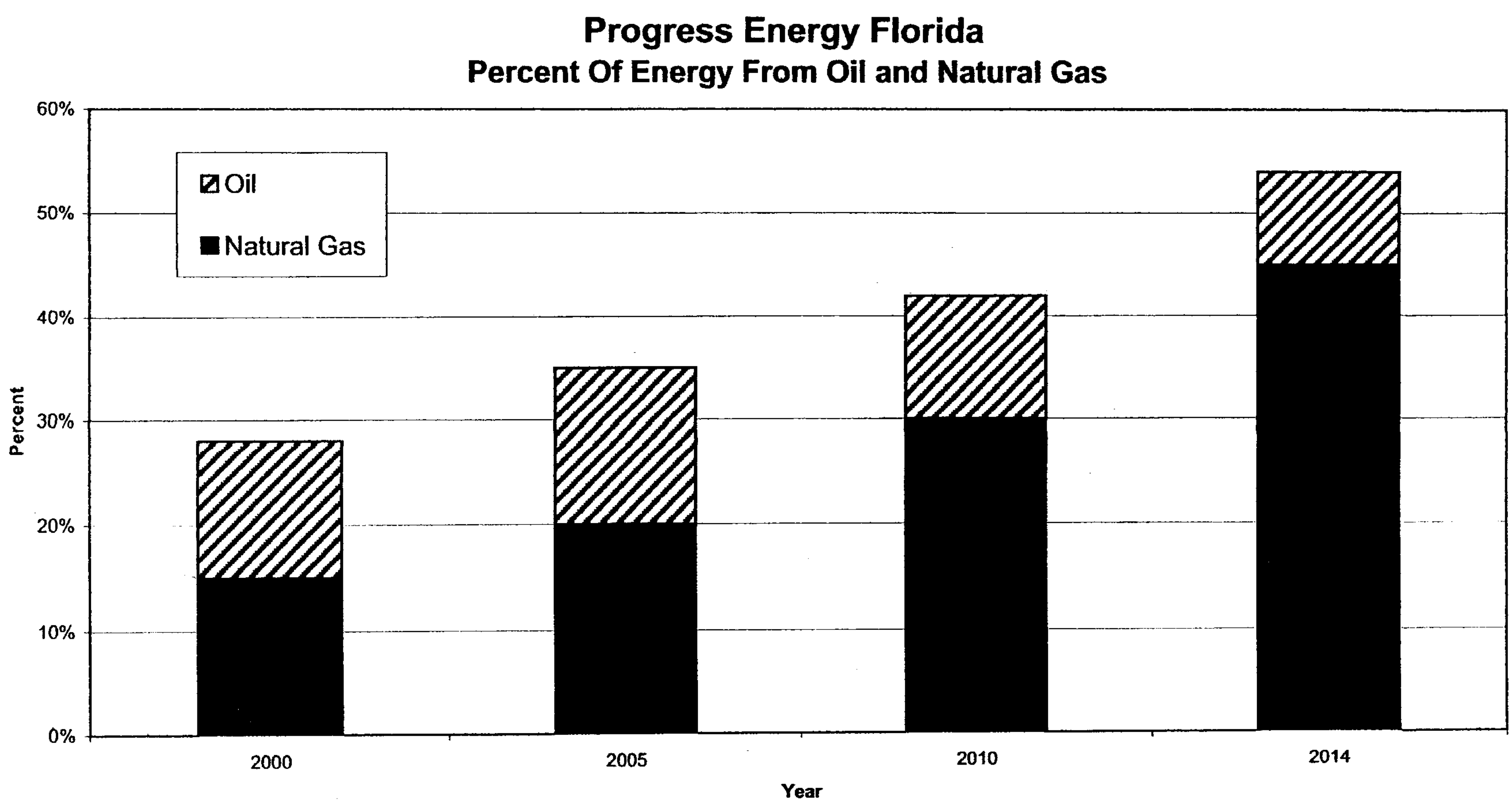
On behalf of

White Springs Agricultural Chemicals, Inc.
d/b/a PCS Phosphate – White Springs

Project 8400
May 13, 2005

BAI
BRUBAKER & ASSOCIATES, INC.
St. Louis, MO 63141-2000

Docket No. 041393-EI
Witness: Maurice Brubaker
Exhibit No. MEB- 3 (____)
Actual and Projected PEF Gas/Oil Reliance



Source: 10 year PEF Site Plans for April 2001 and April 2005.

Docket No. 041393-EI
Witness: Maurice Brubaker
Exhibit No. MEB-4 (   )
POD-13

NOTE: CONTAINS CONFIDENTIAL INFORMATION

BEFORE THE
PUBLIC SERVICE COMMISSION OF FLORIDA

In re: Petition for approval of two unit power sales agreements with Southern Company Services, Inc. for purposes of cost recovery through capacity and fuel cost recovery clauses, by Progress Energy Florida, Inc.	Docket No. 041393-EI

Exhibit No. MEB-4 (   )
POD-13

On behalf of

White Springs Agricultural Chemicals, Inc.
d/b/a PCS Phosphate – White Springs

Project 8400
May 13, 2005

BAI

BRUBAKER & ASSOCIATES, INC.
St. Louis, MO 63141-2000

1

From: "McKeage, Mark D" <Mark.McKeage@pgnmail.com>
To: "Crisp, John (Ben)" <Ben.Crisp@pgnmail.com>, "Waters, Samuel" <Samuel.Waters@pgnmail.com>, "Niekum, Robert D" <Robert.Niekum@pgnmail.com>, "Carl, Michael A." <Michael.Carl@pgnmail.com>
Date: 11/30/2004 11:08:21 AM
Subject: Southern Company UPS Extension - Transmission Requests

All,

We have initiated PEF's request for transmission for the extension of the Southern Company UPS Agreement.

Background
Two contracts for capacity were signed by PEF and SouCo this week. Under the contracts' provisions, PEF is required to submit it's transmission requests within thirty days.

Steps
1. PEF to submit Scherer transmission request - 74 MW; Scherer Plant as source, FPC as sink. Annual request for term June 1, 2010 through May 31, 2015 (Southern Company will only accept whole years, leaving PEF to request rollover for the final seven months of the contract at a later date). PEF to include in Comments "Rollover of Pre-Tariff UPS Service." This request will be made today.
2. PEF to submit Miller transmission request - 350 MW; Miller Plant as source, FPC as sink. Annual request for term June 1, 2010 through May 31, 2015 (Southern Company will only accept whole years, leaving PEF to request rollover for the final seven months of the contract at a later date). PEF to include in Comments "Rollover of Pre-Tariff UPS Service." This request will be made today.
3. For each request, SouCo will send PEF an application for service and a deposit sheet. SouCo will send out the applications and deposit sheets today.
4. PEF will complete the applications and submit them with deposit checks; $613,725. for Miller and $129,759. for Scherer. PEF will complete the applications this month.
5. SouCo will send PEF Letter Agreements, that outline the studies that SouCo will perform to determine Available Transmission Capacity (ATC). Both Parties will need to sign the Letter Agreements. SouCo stated that they would send Letter Agreements to PEF within two weeks of receipt of the applications & deposits.
6. SouCo will perform studies and make PEF aware of the results. SouCo stated that they could take as long as sixty days to perform these studies, though they anticipated quicker turn-around than that.
7. Assuming the studies result in ATC being found, PEF will request redirection of the Miller ATC to the Franklin Plant.
8. SouCo will act on PEF's request for redirection. If the redirection is denied, PEF can back out of the transmission from Miller. No timeline was given for this action.

Question
1. Who needs to initiate check requests? Out of whose account will this

2

money come? The amounts above are my
best estimate of the charges. SouCo will let us know in their
application cover letter the exact amounts they require
for deposits.

Thanks,
Mark

CC: "Eckelkamp, Jim" <james.eckelkamp@pgnmail.com>, "Pierpont, John M." <John.Pierpont@pgnmail.com>, "Futch, Kimberly M" <Kimberly.Futch@pgnmail.com>

SOCO OASIS 1.4 - Transmission Reservation Details

Menus | Transmission | Offerings | Advanced Offerings | New Reservation | Status | Monitor | Query

3

general reservation info | ancillary provision

Submit

Assignment Ref	PreConfirmed	Status	New Status
519355	NO	QUEUED	
Impacted	**Related Ref**	**Request Type**	**Competing Request**
0		ORIGINAL	No
Transmission Service		**Time Queued**	**Last Updated**
Yearly/Firm/Point_To_Point/Full_Period/Sliding		11/30/2004 10:43CS	11/30/2004 10:43CS

Sale Ref **Posting Ref** 182 **Seller Ref** **Response Time Limit**

Seller	Phone	POR	POD
SOCO	205-257-6238	SOCO	FPC
Customer	**Phone**	**Path**	
FPCM JIM G ECKELKAMP	919-546-2485	SS/SOCO/SOCO-FL//	

Service Period

	Date	Time
Start	05/31/2010	23:00
Stop	05/31/2015	23:00

Source SCHERER **Sink** FPC

Request Ref **Deal Ref**

Time ZoneCS H Negotiated Price Flag

Profile Date	Time	Capacity Requested	Granted	Prices in $/MWyr Ceiling	Offer	Bid
06/01/2010	00:00 CD	74		20451.52	20451.52	21042.21
06/01/2011	00:00 CD	74				
06/01/2012	00:00 CD	74				
06/01/2013	00:00 CD	74				
06/01/2014	00:00 CD	74				

Status Notification

Comments

Provider	
Seller	
Customer	ROLLOVER OF PRE-TARIFF UPS SERVICE
Status	

NERC Curtailment Priority **Other Curtailment Priority**
7

Ancillary Services
Requirements: SC:M;RV:M;RF:O;EI:O;SP:O;SU:O
Provisions: SC:(SOCO:RQ);RV:(SOCO:RQ)
The primary provider is to make and link ancillary service reservations as required.

WebOASIS Home Company Home SOCO OASIS

4

5

SOCO OASIS 1.4 - Transmission Reservation Details

general reservation info

Submit

Assignment Ref	PreConfirmed	Status	New Status
519354	NO	RECEIVED	

Impacted	Related Ref	Request Type	Competing Request
0		ORIGINAL	No

Transmission Service
Yearly/Firm/Point_To_Point/Full_Period/Sliding

Time Queued 11/30/2004 10:42CS

Last Updated 11/30/2004 10:44CS

Sale Ref	Posting Ref	Seller Ref	Response Time Limit
	182		

Seller	Phone	POR	POD
SOCO	205-257-6238	SOCO	FPC

Customer	Phone	Path
FPCM JIM G ECKELKAMP	919-546-2485	SS/SOCO/SOCO-FL//

Service Period

	Date	Time
Start	05/31/2010	23:00
Stop	05/31/2015	23:00

Source MILLER

Sink FPC

Time Zone CS

H Negotiated Price Flag

Request Ref

Deal Ref

Profile Date	Time	Capacity Requested	Granted	Prices in $/MWyr Ceiling	Offer	Bid
06/01/2010	00:00 CD	350		20451.52	20451.52	21042.21
06/01/2011	00:00 CD	350				
06/01/2012	00:00 CD	350				
06/01/2013	00:00 CD	350				
06/01/2014	00:00 CD	350				

Status Notification

Comments

Provider

Seller

Customer: ROLLOVER OF PRE-TARIFF UPS SERVICE

Status

NERC Curtailment Priority 7

Other Curtailment Priority

WebOASIS Home Company Home SOCO OASIS

6

7

From: "Eckelkamp, Jim" <james.eckelkamp@pgnmail.com>
To: "McKeage, Mark D" <Mark.McKeage@pgnmail.com>, "Crisp, John (Ben)" <Ben.Crisp@pgnmail.com>, "Waters, Samuel" <Samuel.Waters@pgnmail.com>, "Niekum, Robert D" <Robert.Niekum@pgnmail.com>, "Carl, Michael A." <Michael.Carl@pgnmail.com>
Date: 12/1/2004 1:05:58 PM
Subject: RE: Southern Company UPS Extension - Transmission Requests

Attached are the application for service and the application of deposit for the transmission in SOCO for the UPS generation. I have entered the data required with the exception of the signature. Please advise as to how we are going to provide the deposit. I will overnight the application and cover letter to SOCO tonight/tomorrow.
Thanks
Jim E

<<app firm PTP.doc>> <<App for deposit.doc>>

> -----Original Message-----
> From: McKeage, Mark D
> Sent: Tuesday, November 30, 2004 11:08 AM
> To: Crisp, John (Ben); Waters, Samuel; Niekum, Robert D; Carl,
> Michael A.
> Cc: Eckelkamp, Jim; Pierpont, John M.; Futch, Kimberly M
> Subject: Southern Company UPS Extension - Transmission Requests
>
> All,
>
> We have initiated PEF's request for transmission for the extension of
> the Southern Company UPS Agreement.
>
> Background
> Two contracts for capacity were signed by PEF and SouCo this week.
> Under the contracts' provisions, PEF
> is required to submit it's transmission requests within thirty days.
>
> Steps
> 1. PEF to submit Scherer transmission request - 74 MW; Scherer Plant
> as source, FPC as sink. Annual request
> for term June 1, 2010 through May 31, 2015 (Southern Company will only
> accept whole years, leaving PEF to
> request rollover for the final seven months of the contract at a later
> date). PEF to include in Comments "Rollover
> of Pre-Tariff UPS Service." This request will be made today.
> 2. PEF to submit Miller transmission request - 350 MW; Miller Plant as
> source, FPC as sink. Annual request
> for term June 1, 2010 through May 31, 2015 (Southern Company will only
> accept whole years, leaving PEF to
> request rollover for the final seven months of the contract at a later
> date). PEF to include in Comments "Rollover
> of Pre-Tariff UPS Service." This request will be made today.
> 3. For each request, SouCo will send PEF an application for service
> and a deposit sheet. SouCo will send out
> the applications and deposit sheets today.
> 4. PEF will complete the applications and submit them with deposit
> checks; $613,725. for Miller and $129,759. for
> Scherer. PEF will complete the applications this month.

(8)

> 5. SouCo will send PEF Letter Agreements, that outline the studies
> that SouCo will perform to determine
> Available Transmission Capacity (ATC). Both Parties will need to sign
> the Letter Agreements. SouCo stated that they
> would send Letter Agreements to PEF within two weeks of receipt of the
> applications & deposits.
> 6. SouCo will perform studies and make PEF aware of the results.
> SouCo stated that they could take as long as sixty
> days to perform these studies, though they anticipated quicker
> turn-around than that.
> 7. Assuming the studies result in ATC being found, PEF will request
> redirection of the Miller ATC to the Franklin Plant.
> 8. SouCo will act on PEF's request for redirection. If the
> redirection is denied, PEF can back out of the transmission
> from Miller. No timeline was given for this action.
>
> Question
> 1. Who needs to initiate check requests? Out of whose account will
> this money come? The amounts above are my
> best estimate of the charges. SouCo will let us know in their
> application cover letter the exact amounts they require
> for deposits.
>
> Thanks,
> Mark

CC: "Pierpont, John M." <John.Pierpont@pgnmail.com>, "Futch, Kimberly M" <Kimberly.Futch@pgnmail.com>

SOUTHERN COMPANY
Energy to Serve Your World

9

Southern Company's Application for Firm Point-To-Point Transmission Service Between Southern Company and Florida Power Corp. d.b.a. Progress Energy Florida

Identity of entity requesting service:

Name: Florida Power Corp. d.b.a. Progress Energy Florida

Address 411 Fayetteville St. Mall, Raleigh, NC.27602

Telephone Number: 919-546-2776 Fax Number: 919-546-3374

A statement that the entity requesting service is, or will be upon commencement of service, an Eligible Customer under the Southern Company Open Access Tariff:
Florida Power Corporation d.b.a. Progress Energy Florida is an eligible customer under Southern Company Open Access Tariff and is requesting Firm point to Point Service

Location of the generating facility(ies) supplying the capacity and energy and the location of the load ultimately served by the capacity and energy transmitted:
Generating facilities are located in Southern Company control area. The load is located in Florida Power Corp. control area

Southern Company will treat this information as confidential except to the extent that disclosure of this information is required by the Tariff, by regulatory purposes pursuant to Good Utility Practice or pursuant to RTG transmission information sharing agreements. Southern Company shall treat this information consistent with the standards of conduct contained in Part 37 of the Federal Energy Regulatory Commission's regulations.

A description of the supply characteristics of the capacity and energy to be delivered:
Firm capacity and energy from the Southern Company control area

An estimate of the capacity and energy expected to be delivered to the Receiving Party:
Maximum amount of capacity and energy to be transmitted is 424 Mws (Total reserved capacity).

The Service Commencement Date and the term of the requested Transmission Service:
Service starts on June 01, 2010 and terminates on June 01, 2015

10

The transmission capacity requested for each Point of Receipt and each Point of Delivery on Southern Company's Transmission System: A combined reserved capacity of 424 Mws for a point of receipt of SOCO and a point of delivery of FPC. Oasis # 519354 and 519355

Customers may combine their requests for service in order to satisfy the minimum Transmission capacity requirement.

Southern Company will treat application information consistent with the standards of conduct contained in Part 37 of the Commission's regulations.

Deposit for firm transactions

A Completed Application for Firm Point-to-Point Transmission Service also shall include a deposit of either one month's charge for Reserved Capacity or the full charge for Reserved Capacity for service requests of less than one month.. If the Application is rejected by the Transmission Provider because it does not meet the conditions for service as set forth herein, or in the case of requests for service arising in connection with the losing bidders in a Request for Proposals (RFP), said deposit shall be returned with interest less any reasonable costs incurred by the Transmission Provider in connection with the review of the losing bidder's Application. The deposit also will be returned with interest less any reasonable costs incurred by the Transmission Provider if the Transmission Provider is unable to complete new facilities needed to provide the service. If an Application is withdrawn or the Eligible Customer decided not to enter into a Service Agreement for Firm Point-to-Point Transmission Service, the deposit shall be refunded in full, with interest, less reasonable costs incurred by the Transmission Provider to the extent such costs have not already been recovered by the Transmission Provider from the Eligible Customer. The Transmission Provider will provide to the Eligible Customer a complete accounting of all costs deducted from the refunded deposit, which the Eligible Customer may contest if there is a dispute concerning the deducted costs. Deposits associated with construction of new facilities are subject to the provisions of Section 19 of the Southern Company Open Access Tariff. If a Service Agreement for Firm Point-to-Point Transmission Service is executed, the deposit, with interest, will be returned to the Transmission Customer upon expiration of the Service Agreement for Firm Point-to-Point Transmission Service. Applicable interest shall be computed in accordance with the Commission's regulations and shall be calculated from the day the deposit check is credited to Southern Company's account.

Application submitted by: Name ______________________________ Title: Transmission Coordinator

Date: _________

Phone number: 919-546-2776 **Fax Number: 919-546-3374**

Date Application was submitted ____________________

Date and Time Application was received by Southern Company __________________________

Date and Time Application was accepted by Southern Company __________________________

Application for Firm Point-to-Point Transmission Service should be sent to:

Rebecca Martin
Southern Company Services, Inc.
13N-8812
600 North 18th Street
Birmingham, AL 35291-8210
Phone (205)257-4483 Fax (205)257-6654
e-mail: rmgrisso@southernco.com

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Southern Company Transmission Deposit Information Sheet

Transmission Customer: Florida Power Corporation

Contact at Customer site: Jim Eckelkamp

OASIS Reference Numbers: 519354,519355

Date of OASIS Request: 11/30/2004

Transmission Rate used for calculation of deposit: 1,704.29 $/MW-Month

Ancillary rates used for calculation of deposit:
Scheduling (80.60 $/MW-Month) and Reactive ($110.00 $/kW-Month)

MW used for calculation of deposit: 424 MW (Sum of 2 requests)

Total deposit required for this OASIS request: $803,433.36

Deposit is administered pursuant to Section 17.3 of Southern Companies Open Access Transmission Tariff.

Wiring Instructions

The transfer of funds for firm transmission deposits should be wired to the following:

To:	[redacted]
ABA Number:	[redacted]
For Credit To:	[redacted]
Account Number:	[redacted]

For questions about firm transmission service under the Tariff, please contact:

Rebecca Martin, PE
Transmission Services Analyst
Southern Company Services, Inc.
600 North 18th Street
13N-8812
Phone: 205-257-4483
Fax: 205-257-6654

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12

From: "McKeage, Mark D" <Mark.McKeage@pgnmail.com>
To: "Waters, Samuel" <Samuel.Waters@pgnmail.com>
Date: 1/26/2005 4:24:40 PM
Subject: Southern Company Letter Agreement

Sam,

We are awaiting Southern Company's letter agreement for the transmission study they will be performing this quarter (hopefully).
I called to check the status of the development of that letter, and was told that they are in the process of drafting it, but had a couple of questions of us. Specifically, SouCo would like to know what the sources of capacity are post-redirection, and how many MW from each of those resources. In speaking with John this morning, we believe that the answers are:

74 MW Scherer #3; and
350 MW Franklin #1.

To the extent possible, I will provide an answer at the plant level (Scherer and Franklin), but John and I wanted to make sure that the numbers above are your understanding, as well. They look right, per the contracts.

We are available to speak with you at your convenience, if necessary.

Thanks,
Mark

CC: "Pierpont, John M." <John.Pierpont@pgnmail.com>

13

From: "Martin, Rebecca Ann" <REBEMART@southernco.com>
To: "McKeage, Mark D" <Mark.McKeage@pgnmail.com>
Date: 3/4/2005 9:38:32 AM
Subject: FPC Rollover Requests

Mark,

Please see the attached draft letter agreement regarding the FPC rollover requests on the Southern OASIS.
<<FPC letter Rollover.DOC>>
Please let me know if you have any questions.

Hope all is well!

Thanks

Rebecca Martin
SCS - Transmission Policy & Services
600 N 18th Street/ 13N-8812
Birmingham, Alabama 35291
Phone 205.257.4483
Fax 205.257.6654

CC: "Eckelkamp, Jim" <james.eckelkamp@pgnmail.com>

CONFIDENTIAL (14)

Southern Company Services, Inc.
Post Office Box 2625
Birmingham, Alabama 35202

SOUTHERN COMPANY
Energy to Serve Your World

March 4, 2005

Mr. Mark McKeage
Florida Power Corporation

Re: Letter Agreement Concerning a Potential Transmission Service Arrangement between Florida Power Corporation and Southern Company Services, Inc. as agent for Alabama Power Company, Georgia Power Company, Gulf Power Company, Mississippi Power Company, and Savannah Electric and Power Company

Dear Mr. McKeage:

The purpose of this Letter Agreement is to memorialize the understanding between Florida Power Corporation ("FPC") and Southern Company Services, Inc., as agent for Alabama Power Company, Georgia Power Company, Gulf Power Company, Mississippi Power Company, and Savannah Electric and Power Company (collectively, "Southern"), concerning an arrangement to explore options for providing transmission service under Southern's Open Access Transmission Tariff ("Tariff") that is appropriate under the circumstances. FPC and Southern may be referred to individually as a "Party" or collectively as the "Parties." Pursuant to this Letter Agreement, the Parties hereby agree as follows:

WHEREAS currently certain arrangements are in place whereby transmission service is available to deliver capacity and energy from Plant Miller, located in Walker County, Alabama, and Plant Scherer, located in Monroe County, Georgia, to the Southern Company control area interface with the FPC interface.

WHEREAS FPC desires to take and pay for transmission service scheduled to source from Plant Scherer located in Monroe County, Georgia and Plant Franklin, located in Lee County, Alabama, and, in an effort to accommodate this desire, Southern has, on a preliminary and cursory level, explored possible options for providing such service under the Tariff.

WHEREAS, Southern proposed to FPC an option that, based on Southern's preliminary and cursory review, appears to be a viable way to evaluate the availability of the service that FPC desires under the Tariff, and the Parties have agreed to undertake

CONFIDENTIAL (15)

this evaluation in a manner that is consistent with the Tariff and in accordance with the terms and conditions set forth herein.

1. FPC has submitted on OASIS a request to renew, for a term of five (5) years, the long-term firm transmission service currently being provided from Plant Miller and Plant Scherer. The requested capacity for the renewal service to be provided from Plant Miller is 350 MW and from Plant Scherer is 74 MW.

2. Southern will afford these rollover requests a status of "CONFIRMED" on 1
OASIS, but the Parties recognize that confirmation of these requests will be conditional 2
in nature ("Conditionally Confirmed Reservations") for the reasons described in 3
paragraph 3 of this Letter Agreement. 4

3. FPC agrees to submit on OASIS one (1) request to redirect the 5
Conditionally Confirmed Reservations currently being provided from Plant Miller for the
full term, naming Plant Franklin as the "SOURCE" for 350 MW of capacity. ("Redirect
Request"). In accordance with the Tariff, Southern will conduct a formal evaluation(s) to
determine the availability of service based on (i) the Conditionally Confirmed Request 6
from Plant Scherer and (ii) the Redirect Request, and to determine the impact of such
service on the transmission system. Southern will issue a report to FPC that provides the
results of that evaluation. In the event that the Redirect Request cannot be 7
accommodated, the Parties agree that Southern will, at the direction of FPC, afford the 8
Conditionally Confirmed Reservations a status of "ANNULLED" on OASIS. In the 9
event that the Redirect Request can be accommodated, the Parties intend, at that time and in the manner provided by the Tariff, to enter into any such agreements that are necessary to implement arrangements that would enable Southern to provide and FPC to take and pay for transmission service under the Tariff based on the results of the above-described evaluation(s).

4. This Letter Agreement does not bind either Party beyond the terms set forth herein. Neither this Letter Agreement nor any action by either Party in furtherance of its terms shall preclude either Party from taking any action that is consistent with and in accordance with the Tariff and/or other legal rights.

Sincerely,

James M. Howell
Manager, Transmission Policy & Services
Southern Company Services, Inc., as agent for Alabama Power Company, Georgia Power Company, Gulf Power Company, Mississippi Power Company, and Savannah Electric and Power Company

Agreement and consent acknowledged:

CONFIDENTIAL

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____
Florida Power Corporation

Signature: ______________________

Date: ______________________

17

From: "McKeage, Mark D" <Mark.McKeage@pgnmail.com>
To: "Martin, Rebecca Ann" <REBEMART@southernco.com>
Date: 3/9/2005 10:51:35 AM
Subject: RE: FPC letter Rollover.DOC

Rebecca,

We have signed the Letter Agreement, and returned one original to Mr. Howell.

We look forward to the confirmation of FPC's transmission request, at which time, we will request redirection.

Thanks,
Mark

-----Original Message-----
From: Martin, Rebecca Ann [mailto:REBEMART@southernco.com]
Sent: Monday, March 07, 2005 9:31 AM
To: McKeage, Mark D
Subject: RE: FPC letter Rollover.DOC

Mark,

I got a little bit ahead of myself last week! We'll execute the letter agreement and overnight you copies to sign.

thanks!!!!

Rebecca Martin
SCS - Transmission Policy & Services
600 N 18th Street/ 13N-8812
Birmingham, Alabama 35291
Phone 205.257.4483
Fax 205.257.6654

-----Original Message-----
From: McKeage, Mark D [mailto:Mark.McKeage@pgnmail.com]
Sent: Friday, March 04, 2005 4:04 PM
To: Martin, Rebecca Ann
Subject: RE: FPC letter Rollover.DOC

Rebecca,

Would you prefer that FPC sign first, and mail two originals to you?

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Thanks,
Mark

-----Original Message-----
From: Martin, Rebecca Ann [mailto:REBEMART@southernco.com]
Sent: Friday, March 04, 2005 4:45 PM
To: McKeage, Mark D
Cc: Eckelkamp, Jim
Subject: RE: FPC letter Rollover.DOC

Hello Mark!

I have incorporated the requested changes to the letter agreement which is attached.

Please let me know if you have any additional questions.

thanks
becca

Rebecca Martin
SCS - Transmission Policy & Services
600 N 18th Street/ 13N-8812
Birmingham, Alabama 35291
Phone 205.257.4483
Fax 205.257.6654

-----Original Message-----
From: McKeage, Mark D [mailto:Mark.McKeage@pgnmail.com]
Sent: Friday, March 04, 2005 10:57 AM
To: Martin, Rebecca Ann
Cc: Eckelkamp, Jim
Subject: FW: FPC letter Rollover.DOC

Rebecca,

Please see attached minor changes. If Southern Company accepts these changes, FPC is prepared to sign.

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From: "Martin, Rebecca Ann" <REBEMART@southernco.com>
To: "McKeage, Mark D" <Mark.McKeage@pgnmail.com>, "Eckelkamp, Jim" <james.eckelkamp@pgnmail.com>
Date: 3/15/2005 10:33:51 AM
Subject: FPC Rollover Requests

Morning Mark and Jim!

Thanks for executing the letter agreement so promptly.

When you are ready, please contact me so I can walk you through how to submit the redirect request on OASIS. This will be a very simple manner since you are only redirecting one request.

I will be out of the office Wednesday and Thursday of this week but will be back in the office on Friday.

Thanks
becca

Rebecca Martin
SCS - Transmission Policy & Services
600 N 18th Street/ 13N-8812
Birmingham, Alabama 35291
Phone 205.257.4483
Fax 205.257.6654

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From: "McKeage, Mark D" <Mark.McKeage@pgnmail.com>
To: "Waters, Samuel" <Samuel.Waters@pgnmail.com>, "Crisp, John (Ben)" <Ben.Crisp@pgnmail.com>
Date: 3/16/2005 2:54:27 PM
Subject: FW: FPC Rollover Requests

All,

We have confirmed transmission for Scherer and Miller capacity, and have requested redirection of Miller to Franklin. We will let you know when Southern acts on that request.

Thanks,
Mark

-----Original Message-----
From: Martin, Rebecca Ann [mailto:REBEMART@southernco.com]
Sent: Tuesday, March 15, 2005 10:34 AM
To: McKeage, Mark D; Eckelkamp, Jim
Subject: FPC Rollover Requests

Morning Mark and Jim!

Thanks for executing the letter agreement so promptly.

When you are ready, please contact me so I can walk you through how to submit the redirect request on OASIS. This will be a very simple manner since you are only redirecting one request.

I will be out of the office Wednesday and Thursday of this week but will be back in the office on Friday.

Thanks
becca

Rebecca Martin
SCS - Transmission Policy & Services
600 N 18th Street/ 13N-8812
Birmingham, Alabama 35291
Phone 205.257.4483
Fax 205.257.6654

CC: "Niekum, Robert D" <Robert.Niekum@pgnmail.com>, "Carl, Michael A." <Michael.Carl@pgnmail.com>, "Pierpont, John M." <John.Pierpont@pgnmail.com>, "Futch, Kimberly M"

<Kimberly.Futch@pgnmail.com>, "Eckelkamp, Jim" <james.eckelkamp@pgnmail.com>

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22

From: "Eckelkamp, Jim" <james.eckelkamp@pgnmail.com>
To: "McKeage, Mark D" <Mark.McKeage@pgnmail.com>
Date: 3/29/2005 3:03:44 PM
Subject: FW: Application for Redirects

Mark,
Attached is the application for the Redirect. I forgot to cc you when I sent it back to Rebecca at SOCO. Sorry!!!!
Thanks
Jim E

-----Original Message-----
From: Eckelkamp, Jim
Sent: Tuesday, March 29, 2005 8:49 AM
To: 'Martin, Rebecca Ann'
Subject: RE: Application for Redirects

Rebecca,
Sorry for the delay in getting this back to you. Have completed the form and returning to you by e-mail and will fax a hard copy has well. Please advise of any further needs or changes
Thanks
Jim E

-----Original Message-----
From: Martin, Rebecca Ann [mailto:REBEMART@southernco.com]
Sent: Wednesday, March 23, 2005 12:49 PM
To: Eckelkamp, Jim
Subject: Application for Redirects

Hello Jim!

Can you fill out the attached application for the redirect submitted on 3/15/2005?
<<app firm PTP.doc>>
Thanks
becca

Rebecca Martin
SCS - Transmission Policy & Services
600 N 18th Street/ 13N-8812
Birmingham, Alabama 35291
Phone 205.257.4483
Fax 205.257.6654

telephone at 205-257-4483.
>

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(24)

SOUTHERN COMPANY
Energy to Serve Your World

Southern Company's Application for Firm Point-To-Point Transmission Service Between Southern Company and _Florida Power Corporation (dba – Progress Energy Florida) Oasis Ref # 536163

Identity of entity requesting service:

Name: _*Progress Energy Florida*______

Address ____411 Fayetteville Street Mall, Raleigh, NC 27602______

Telephone Number: _919-546-2776______ **Fax Number:** _919-546-3374______

A statement that the entity requesting service is, or will be upon commencement of service, an Eligible Customer under the Southern Company Open Access Tariff: __Progress Energy Florida is an eligible customer under Southern Company open Access Tariff, and is requesting Redirect Service of our renewal reservation

Location of the generating facility(ies) supplying the capacity and energy and the location of the load ultimately served by the capacity and energy transmitted: __Generating facilities are located in Southern Control area (Franklin unit). The load is located in Progress Energy Florida (FPC) control area

Southern Company will treat this information as confidential except to the extent that disclosure of this information is required by the Tariff, by regulatory purposes pursuant to Good Utility Practice or pursuant to RTG transmission information sharing agreements. Southern Company shall treat this information consistent with the standards of conduct contained in Part 37 of the Federal Energy Regulatory Commission's regulations.

A description of the supply characteristics of the capacity and energy to be delivered: __Firm Capacity and Energy from Southern control area

An estimate of the capacity and energy expected to be delivered to the Receiving Party: ______
Maximum amount of energy to be transmitted, 350 mws (reserved capacity)

The Service Commencement Date and the term of the requested Transmission Service: _Service between June 1st, 2010 and June 1st, 2015______

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The transmission capacity requested for each Point of Receipt and each Point of Delivery on Southern Company's Transmission System: A reserved capacity of 350 mws for a point of receipt of SOCO (Franklin unit) and a point of delivery of FPC. Oasis Ref # 536163

____

____

Customers may combine their requests for service in order to satisfy the minimum Transmission capacity requirement.

Southern Company will treat application information consistent with the standards of conduct contained in Part 37 of the Commission's regulations.

<u>Deposit for firm transactions</u>

A Completed Application for Firm Point-to-Point Transmission Service also shall include a deposit of either one month's charge for Reserved Capacity or the full charge for Reserved Capacity for service requests of less than one month.. If the Application is rejected by the Transmission Provider because it does not meet the conditions for service as set forth herein, or in the case of requests for service arising in connection with the losing bidders in a Request for Proposals (RFP), said deposit shall be returned with interest less any reasonable costs incurred by the Transmission Provider in connection with the review of the losing bidder's Application. The deposit also will be returned with interest less any reasonable costs incurred by the Transmission Provider if the Transmission Provider is unable to complete new facilities needed to provide the service. If an Application is withdrawn or the Eligible Customer decided not to enter into a Service Agreement for Firm Point-to-Point Transmission Service, the deposit shall be refunded in full, with interest, less reasonable costs incurred by the Transmission Provider to the extent such costs have not already been recovered by the Transmission Provider from the Eligible Customer. The Transmission Provider will provide to the Eligible Customer a complete accounting of all costs deducted from the refunded deposit, which the Eligible Customer may contest if there is a dispute concerning the deducted costs. Deposits associated with construction of new facilities are subject to the provisions of Section 19 of the Southern Company Open Access Tariff. If a Service Agreement for Firm Point-to-Point Transmission Service is executed, the deposit, with interest, will be returned to the Transmission Customer upon expiration of the Service Agreement for Firm Point-to-Point Transmission Service. Applicable interest shall be computed in accordance with the Commission's regulations and shall be calculated from the day the deposit check is credited to Southern Company's account.

Application submitted by: Name _James Eckelkamp________________Title: _Analyst Date: 3-29-2005

Phone number ___919-546-2776___________ Fax Number ___919-546-3374_______________

Date Application was submitted __3-29-2005__________

Date and Time Application was received by Southern Company ___________________________

Date and Time Application was accepted by Southern Company ___________________________

Application for Firm Point-to-Point Transmission Service should be sent to:

Rebecca Martin
Southern Company Services, Inc.
13N-8812
600 North 18th Street
Birmingham, AL 35291-8210
Phone (205)257-4483 Fax (205)257-6654
e-mail: rmgrisso@southernco.com

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From: "Martin, Rebecca Ann" <REBEMART@southernco.com>
To: "Eckelkamp, Jim" <james.eckelkamp@pgnmail.com>
Date: 4/12/2005 10:46:43 AM
Subject: SIS agreement

Jim,

Please see the attached SIS for the redirect request form Progress Florida.
<<SIS -FPCM536163.doc>>
Please let me know if you have any questions.

Thanks
beoca

Rebecca Martin
SCS - Transmission Policy & Services
600 N 18th Street/ 13N-8812
Birmingham, Alabama 35291
Phone 205.257.4483
Fax 205.257.6654

CC: "McKeage, Mark D" <Mark.McKeage@pgnmail.com>

SOUTHERN COMPANY
Energy to Serve Your World

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Rebecca Martin, PE
Transmission Analyst
Transmission Services

Southern Company Services, Inc.
600 North 18th Street/13N-8812
Post Office Box 2641
Birmingham, Alabama 35291-8210
Tel 205.257.4483
Fax 205.257.6654

April 12, 2005

VIA ELECTRONIC MAIL

Mr. Jim Eckelkamp
Progress Energy Florida
411 Fayetteville Street Mall
Raleigh, North Carolina 27602

Dear Jim,

This letter is being sent in regards to requests for transmission service by Progress Energy Florida("FPCM") under the Southern Company Open Access Transmission Tariff ("Tariff"). This request has OASIS Reference Number 536163.

Pursuant to Section 17.5 of the Tariff, Southern Company has attempted to make a determination of the available transmission capacity relative to the FPCM requests noted above. A System Impact Study will be required to determine an accurate amount of available transmission capacity for the requested time periods.

If FPCM desires for Southern Company to perform a System Impact Study regarding these requests, please complete the System Impact Study Agreement shown in Attachment A. This Agreement should be signed by an authorized official at FPCM and returned within 15 days.

As indicated in the attached Agreement, an estimate of the actual cost of the system impact study is $10,000. It is agreed, however, that if the actual cost of the study differs from that estimate, FPCM shall pay the actual cost. Payment of the estimated System Impact Study costs will need to be received by Southern Company before the Study will begin. The payment can be sent either via wire transfer or in a check (made payable to Southern Company Services, Inc.) mailed to the address shown above. Wiring instructions for Southern Company's account are shown in Attachment B.

Southern Company estimates that the study will be completed within sixty (60) days of its receipt of the executed Agreement. If unable to complete the study within that period, Southern Company will notify FPCM and provide an estimated completion date along with an explanation of the reasons why additional time is required.

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If you have questions, please contact me at (205) 257-4483.

Sincerely,

Rebecca Martin, PE

Transmission Services Analyst,
Transmission Services

/mfp

[redacted]

[redacted]

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SYSTEM IMPACT STUDY AGREEMENT BETWEEN SOUTHERN COMPANY AND *Progress* Energy Florida (FPCM) OASIS Requests 536163.

1.0 This System Impact Study Agreement, dated as of ____________, is entered into by and between Southern Company Services, Inc., as agent for Alabama Power Company, Georgia Power Company, Gulf Power Company, Mississippi Power Company and Savannah Electric and Power Company (collectively referred to as "Transmission Provider"), and FPCM ("Eligible Customer")(Transmission Provider and Eligible Customer may be jointly referred to as the "Parties").

2.0 Under the Southern Company Open Access Transmission Tariff ("Tariff"), the Transmission Provider is required to determine whether a System Impact Study is needed to accommodate a request for transmission service. If a System Impact Study is so required, then the party requesting transmission service must execute a System Impact Study Agreement or that party's application is deemed withdrawn.

3.0 On March 15, 2005, the Eligible Customer requested transmission delivery service from the Transmission Provider under the Tariff. The Transmission Provider has determined that a System Impact Study is necessary to accommodate that request. The Transmission Provider hereby agrees to perform such a System Impact Study; provided, however, that the Parties agree that Transmission Provider may contract with one or more third parties to perform all or part of such System Impact Study. The Eligible Customer hereby agrees to pay for such System Impact Study in accordance with this Agreement.

4.0 The Eligible Customer shall pay all of the actual costs incurred by Transmission Provider in performing the System Impact Study, including any costs associated with having one or more third parties perform all or part of such System Impact Study. The Transmission Provider's estimate of the actual cost of the System Impact Study is 10,000. It is agreed, however, that if the actual cost of the Study differs from that estimate, the Eligible Customer shall pay the actual cost. Transmission Provider may invoice Eligible Customer on a monthly basis for costs hereunder, and payment in full shall be due from Eligible Customer within ten (10) days of the invoice date. Eligible Customer shall be responsible for any charges Transmission Provider incurs due to Eligible Customer's failure to make payment within such time.

5.0 The Transmission Provider estimates that the System Impact Study will be completed within sixty (60) days of its receipt of this Agreement once executed. The Transmission Provider will use due diligence to complete (or have third parties complete) the System Impact Study within that time. If unable to complete (or have completed) the System Impact Study within that period, the Transmission Provider shall notify the Eligible Customer and provide an estimated completion date along with an explanation of the reasons why additional time is required.

6.0 The System Impact Study shall identify any system constraints and redispatch options, additional Direct Assignment Facilities or Network Upgrades required to provide the Eligible Customer's requested service. A copy of the completed System Impact Study and related work papers shall be made available to the Eligible Customer.

IN WITNESS WHEREOF, the Parties have caused this System Impact Study Agreement to be executed by their respective authorized officials.

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Southern Company Services, Inc.:

By: __________________________ **Title:** Sr.Vice-President **Date:**______

William O. Ball

As Agent For

Alabama Power Company
Georgia Power Company
Gulf Power Company
Mississippi Power Company
Savannah Electric and Power Company,
or Southern Company

Progress Energy Florida:

By: __________________________ **Title:** ______________________ **Date:**______

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Attachment B

System Impact Study Deposit Information

The transfer of funds for firm transmission deposits should be wired to the following:

To: [redacted]
ABA Number: [redacted]
For Credit To: [redacted]
Account Number: [redacted]

When funds have been wired, please complete and fax the sheet below to Rebecca M Grissom at (205)257-6654.

Information about account the deposit was wired from:

Name of Bank: ______________________________
Location of Bank: City ______________ State ______________
ABA Number: ______________________________
Account Number: ______________________________
Date of wire transfer: ______________________________
Federal Reference Number associated with this transaction: ______________________________
Amount of wired deposit: ______________________________
Name of entity making deposit: ______________________________
Contact at entity making deposit: Name ______________________________
Telephone Number ______________________________

For questions about transmission service under the Tariff, please contact:

Rebecca Martin, PE
Transmission Services Analyst
600 North 18th Street/13N-8812
Birmingham, AL 35291-8210
Telephone (205) 257-4483
Telefax (205) 257-6654

Southern Company Open Access Same-time Information System (OASIS) Address:
www.weboasis.com/OASIS/SOCO

SOUTHERN COMPANY
Energy to Serve Your World

[redacted]

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From: "McKeage, Mark D" <Mark.McKeage@pgnmail.com>
To: "Hnath, Kelli" <Kelli.Hnath@pgnmail.com>
Date: 4/18/2005 1:42:20 PM
Subject: RE: SIS agreement

Hi Kelli,

This is based on the third paragraph that states that PEF has 15 days to turn around the signed System Impact Study agreement letter (from the date of the letter, which is April 12, 2005). Since the signed letter is being sent today, I guess the sooner the better on the money, but you're correct in that there is no specific date stated for the money. I was assuming that the due date for the money is the same as the due date of the letter.

Thanks,
Mark

-----Original Message-----
From: Hnath, Kelli
Sent: Monday, April 18, 2005 12:04 PM
To: McKeage, Mark D
Subject: RE: SIS agreement

Mark,

I don't see anything in the letter about 4/27 as the payment date. What I see in paragraph 4.0 of the request is "...payment shall be due...within ten (10) days of the invoice date." One of our rules for payment processing is that we wire the money on the required payment date - not earlier, and (of course) not later. So, though this is only $10K, do you have something from SOCO w/ the 4/27 date?

Thanks,
Kelli

-----Original Message-----
From: McKeage, Mark D
Sent: Friday, April 15, 2005 11:31 AM
To: Hnath, Kelli
Cc: Niekum, Robert D
Subject: FW: SIS agreement

Kelli,

Attached is the System Impact Study agreement, invoice and wire transfer form that we discussed on the telephone. Per Javier Portuondo, this invoice should be paid under the same account that Southern UPS is currently paid.

I have asked Jim Eckelkamp to hand carry the original agreement to Rob Caldwell to sign, and then to you, if you need it.

The wire transfer needs to be complete by April 27, 2005. Please let me know if this is any trouble for you.

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Thanks for your help, and please let me know if there is anything else you need from me.
Mark McKeage

-----Original Message-----
From: Martin, Rebecca Ann [mailto:REBEMART@southernco.com]
Sent: Tuesday, April 12, 2005 10:47 AM
To: Eckelkamp, Jim
Cc: McKeage, Mark D
Subject: SIS agreement

Jim,

Please see the attached SIS for the redirect request form Progress Florida.
<<SIS -FPCM536163.doc>>
Please let me know if you have any questions.

Thanks
becca

Rebecca Martin
SCS - Transmission Policy & Services
600 N 18th Street/ 13N-8812
Birmingham, Alabama 35291
Phone 205.257.4483
Fax 205.257.6654

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From: "Martin, Rebecca Ann" <REBEMART@southernco.com>
To: "Eckelkamp, Jim" <james.eckelkamp@pgnmail.com>
Date: 4/18/2005 5:36:35 PM
Subject: RE: SIS agreement

Thanks Jim!!

I'll be on the lookout for this information.

Thanks again
becca

Rebecca Martin
SCS - Transmission Policy & Services
600 N 18th Street/ 13N-8812
Birmingham, Alabama 35291
Phone 205.257.4483
Fax 205.257.6654

-----Original Message-----
From: Eckelkamp, Jim [mailto:james.eckelkamp@pgnmail.com]
Sent: Friday, April 15, 2005 1:21 PM
To: Martin, Rebecca Ann
Cc: McKeage, Mark D
Subject: RE: SIS agreement

Rebecca,
Have the SIS signed by Rob Caldwell (VP-Regulated Commercial Ops)and will have it mailed overnight on Monday the 18th. Have also given the wire transfer information to Back office who will give it to treasury before noon on Monday which then should be paid on Tuesday the 19th. If any further information or task is needed, please do not hesitate to ask. Thanks for everything !!
Jim E
919-546-2776

-----Original Message-----
From: Martin, Rebecca Ann [mailto:REBEMART@southernco.com]
Sent: Tuesday, April 12, 2005 10:47 AM
To: Eckelkamp, Jim
Cc: McKeage, Mark D
Subject: SIS agreement

Jim,

Please see the attached SIS for the redirect request form Progress Florida.
<<SIS -FPCM536163.doc>>
Please let me know if you have any questions.

35

Thanks
becca

Rebecca Martin
SCS - Transmission Policy & Services
600 N 18th Street/ 13N-8812
Birmingham, Alabama 35291
Phone 205.257.4483
Fax 205.257.6654

CC: "McKeage, Mark D" <Mark.McKeage@pgnmail.com>

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From: "McKeage, Mark D" <Mark.McKeage@pgnmail.com>
To: "Pierpont, John M." <John.Pierpont@pgnmail.com>
Date: 5/2/2005 10:01:56 AM
Subject: FW: Southern Company Scan

> -----Original Message-----
> From: Griffith, Margaret A
> Sent: Monday, May 02, 2005 10:01 AM
> To: McKeage, Mark D
> Subject: Southern Company Scan
>
> <<Southern Company.pdf>>

Jim M. Howell, Jr.
Manager,
Transmission Services

Southern Company Services, Inc.
600 North 18th Street
Post Office Box 2625
Birmingham, Alabama 35202

Tel 205.257.3369
Fax 205.257.6654

CONFIDENTIAL

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SOUTHERN COMPANY
Energy to Serve Your World℠

March 7, 2005

Mr. Mark McKeage
Florida Power Corporation
d/b/a Progress Energy Florida, Inc.
100 Central Avenue, BT9G
St. Petersburg, FL 33704

Re: Letter Agreement Concerning a Potential Transmission Service Arrangement between Florida Power Corporation and Southern Company Services, Inc. as agent for Alabama Power Company, Georgia Power Company, Gulf Power Company, Mississippi Power Company, and Savannah Electric and Power Company

Dear Mr. McKeage:

The purpose of this Letter Agreement is to memorialize the understanding between Florida Power Corporation ("FPC") and Southern Company Services, Inc., as agent for Alabama Power Company, Georgia Power Company, Gulf Power Company, Mississippi Power Company, and Savannah Electric and Power Company (collectively, "Southern"), concerning an arrangement to explore options for providing transmission service under Southern's Open Access Transmission Tariff ("Tariff") that is appropriate under the circumstances. FPC and Southern may be referred to individually as a "Party" or collectively as the "Parties." Pursuant to this Letter Agreement, the Parties hereby agree as follows:

WHEREAS, currently certain arrangements are in place whereby transmission service is available to deliver capacity and energy from Plant Miller, located in Walker County, Alabama, and Plant Scherer, located in Monroe County, Georgia, to the Southern Company control area interface with the FPC interface; and

WHEREAS, FPC desires to take and pay for transmission service scheduled to source from Plant Scherer located in Monroe County, Georgia and Plant Franklin, located in Lee County, Alabama, and, in an effort to accommodate this desire, Southern has, on a preliminary and cursory level, explored possible options for providing such service under the Tariff; and

WHEREAS, Southern proposed to FPC an option that, based on Southern's preliminary and cursory review, appears to be a viable way to evaluate the availability of the service that FPC desires under the Tariff, and the Parties have agreed to undertake

CONFIDENTIAL

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this evaluation in a manner that is consistent with the Tariff and in accordance with the terms and conditions set forth herein.

1. FPC has submitted on OASIS a request to renew, for a term of five (5) years, the long-term firm transmission service currently being provided from Plant Miller and Plant Scherer. The requested capacity for the renewal service to be provided from Plant Miller is 350 MW and from Plant Scherer is 74 MW.

2. Southern will afford these rollover requests a status of "CONFIRMED" on 1
OASIS, but the Parties recognize that confirmation of these requests will be conditional 2
in nature ("Conditionally Confirmed Reservations") for the reasons described in 3
paragraph 3 of this Letter Agreement. 4

3. FPC agrees to submit on OASIS one (1) request to redirect the
Conditionally Confirmed Reservations currently being provided from Plant Miller for the 5
full term, naming Plant Franklin as the "SOURCE" for 350 MW of capacity. ("Redirect Request"). In accordance with the Tariff, Southern will conduct a formal evaluation(s) to
determine the availability of service based on (i) the Conditionally Confirmed Request 6
from Plant Scherer and (ii) the Redirect Request, and to determine the impact of such service on the transmission system. Southern will issue a report to FPC that provides the
results of that evaluation. In the event that the Redirect Request cannot be 7
accommodated, the Parties agree that Southern will, at the direction of FPC, afford the 8
Conditionally Confirmed Reservations a status of "ANNULLED" on OASIS. In the 9
event that the Redirect Request can be accommodated, the Parties intend, at that time and in the manner provided by the Tariff, to enter into any such agreements that are necessary to implement arrangements that would enable Southern to provide and FPC to take and pay for transmission service under the Tariff based on the results of the above-described evaluation(s).

4. This Letter Agreement does not bind either Party beyond the terms set forth herein. Neither this Letter Agreement nor any action by either Party in furtherance of its terms shall preclude either Party from taking any action that is consistent with and in accordance with the Tariff and/or other legal rights.

Sincerely,

James M. Howell
Manager, Transmission Policy & Services
Southern Company Services, Inc., as agent for Alabama Power Company, Georgia Power Company, Gulf Power Company, Mississippi Power Company, and Savannah Electric and Power Company

CONFIDENTIAL

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Agreement and consent acknowledged:

ROBERT D. NIEKUM
Florida Power Corporation

Signature: Robert D. Nieku

Date: March 8, 2005

SOCO OASIS 1.4 - Transmission Reservation Details

Menus | Transmission | Offerings | Advanced Offerings | New Reservation | Status | Monitor | Query

general reservation info | ancillary provisions check these!

Submit

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Assignment Ref	PreConfirmed	Status	New Status
536163	YES	STUDY	
Impacted	**Related Ref**	**Request Type**	**Competing Request**
0	519354	REDIRECT	No

Transmission Service
Yearly/Firm/Point_To_Point/Full_Period/Sliding

Time Queued 03/15/2005 12:05CD

Last Updated 04/25/2005 16:07CD

Sale Ref **Posting Ref** 182 **Seller Ref** **Response Time Limit**

Seller	Phone	POR	POD
SOCO	205-257-6238	SOCO	FPC

Customer	Phone	Path
FPCM JIM G ECKELKAMP	919-546-2485	SS/SOCO/SOCO-FL//

Service Period

	Date	Time
Start	06/01/2010	00:00
Stop	06/01/2015	00:00

Source FRANKLIN **Sink** FPC

Time ZoneCD Negotiated Price Flag **Request Ref** **Deal Ref**

Profile Date	Time	Capacity Requested	Granted	Prices in $/MWyr Ceiling	Offer	Bid
06/01/2010	00:00 CD	350		21589.08	0.00	0.00
06/01/2011	00:00 CD	350				
06/01/2012	00:00 CD	350				
06/01/2013	00:00 CD	350				
06/01/2014	00:00 CD	350				

Status Notification

Comments

Provider	
Seller	System Impact Study initiated
Customer	ROLLOVER OF PRE-TARIFF UPS SERVICE
Status	

NERC Curtailment Priority **Other Curtailment Priority**
7

Ancillary Services
Requirements: SC:M;RV:M;RF:O;EI:O;SP:O;SU:O
Provisions: SC:(SOCO:AR:536161);RV:(SOCO:AR:536162)
The specific ancillary provisions listed above apply to this request.

WebOASIS Home Company Home SOCO OASIS

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From: "McKeage, Mark D" <Mark.McKeage@pgnmail.com>
To: "Waters, Samuel" <Samuel.Waters@pgnmail.com>
Date: 1/26/2005 4:24:40 PM
Subject: Southern Company Letter Agreement

Sam,

We are awaiting Southern Company's letter agreement for the transmission study they will be performing this quarter (hopefully).
I called to check the status of the development of that letter, and was told that they are in the process of drafting it, but had a couple of questions of us. Specifically, SouCo would like to know what the sources of capacity are post-redirection, and how many MW from each of those resources. In speaking with John this morning, we believe that the answers are:

74 MW Scherer #3; and
350 MW Franklin #1.

To the extent possible, I will provide an answer at the plant level (Scherer and Franklin), but John and I wanted to make sure that the numbers above are your understanding, as well. They look right, per the contracts.

We are available to speak with you at your convenience, if necessary.

Thanks,
Mark

CC: "Pierpont, John M." <John.Pierpont@pgnmail.com>

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SYSTEM IMPACT STUDY AGREEMENT BETWEEN SOUTHERN COMPANY AND Progress Energy Florida (FPCM) OASIS Request: 536163.

1.0 This System Impact Study Agreement, dated as of 4/25/05, is entered into by and between Southern Company Services, Inc., as agent for Alabama Power Company, Georgia Power Company, Gulf Power Company, Mississippi Power Company and Savannah Electric and Power Company (collectively referred to as "Transmission Provider"), and FPCM ("Eligible Customer")(Transmission Provider and Eligible Customer may be jointly referred to as the "Parties").

2.0 Under the Southern Company Open Access Transmission Tariff ("Tariff"), the Transmission Provider is required to determine whether a System Impact Study is needed to accommodate a request for transmission service. If a System Impact Study is so required, then the party requesting transmission service must execute a System Impact Study Agreement or that party's application is deemed withdrawn.

3.0 On March 15, 2005, the Eligible Customer requested transmission delivery service from the Transmission Provider under the Tariff. The Transmission Provider has determined that a System Impact Study is necessary to accommodate that request. The Transmission Provider hereby agrees to perform such a System Impact Study; provided, however, that the Parties agree that Transmission Provider may contract with one or more third parties to perform all or part of such System Impact Study. The Eligible Customer hereby agrees to pay for such System Impact Study in accordance with this Agreement.

4.0 The Eligible Customer shall pay all of the actual costs incurred by Transmission Provider in performing the System Impact Study, including any costs associated with having one or more third parties perform all or part of such System Impact Study. The Transmission Provider's estimate of the actual cost of the System Impact Study is 10,000. It is agreed, however, that if the actual cost of the Study differs from that estimate, the Eligible Customer shall pay the actual cost. Transmission Provider may invoice Eligible Customer on a monthly basis for costs hereunder, and payment in full shall be due from Eligible Customer within ten (10) days of the invoice date. Eligible Customer shall be responsible for any charges Transmission Provider incurs due to Eligible Customer's failure to make payment within such time.

5.0 The Transmission Provider estimates that the System Impact Study will be completed within sixty (60) days of its receipt of this Agreement once executed. The Transmission Provider will use due diligence to complete (or have third parties complete) the System Impact Study within that time. If unable to complete (or have completed) the System Impact Study within that period, the Transmission Provider shall notify the Eligible Customer and provide an estimated completion date along with an explanation of the reasons why additional time is required.

6.0 The System Impact Study shall identify any system constraints and redispatch options, additional Direct Assignment Facilities or Network Upgrades required to provide the Eligible Customer's requested service. A copy of the completed System Impact Study and related work papers shall be made available to the Eligible Customer.

IN WITNESS WHEREOF, the Parties have caused this System Impact Study Agreement to be executed by their respective authorized officials.

CONFIDENTIAL

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Southern Company Services, Inc.:

By: [signature] Title: Sr.Vice-President Date: 4/25/05

William O. Ball

As Agent For

Alabama Power Company

Georgia Power Company

Gulf Power Company

Mississippi Power Company

Savannah Electric and Power Company,

or Southern Company

Progress Energy Florida:

By: [signature] Title: VP-Regulated Commercial Ops Date: 04/15/2005

Rob Caldwell

Progress Energy Corporation

Docket No. 041393-EI
Witness: Maurice Brubaker
Exhibit No. MEB-5 (   )
Excerpts from Southern Company OATT

BEFORE THE
PUBLIC SERVICE COMMISSION OF FLORIDA

In re: Petition for approval of two unit power sales agreements with Southern Company Services, Inc. for purposes of cost recovery through capacity and fuel cost recovery clauses, by Progress Energy Florida, Inc.	**Docket No. 041393-EI**

Exhibit No. MEB-5 (   )
EXCERPTS FROM SOUTHERN COMPANY OATT

On behalf of

White Springs Agricultural Chemicals, Inc.
d/b/a PCS Phosphate – White Springs

Project 8400
May 13, 2005

BAI
BRUBAKER & ASSOCIATES, INC.
St. Louis, MO 63141-2000

2 Initial Allocation and Renewal Procedures

2.1 Initial Allocation of Available Transmission Capability: For purposes of determining whether existing capability on the Transmission Provider's Transmission System is adequate to accommodate a request for firm service under this Tariff, all Completed Applications for new firm transmission service received during the initial sixty (60) day period commencing with the effective date of the Tariff will be deemed to have been filed simultaneously. A lottery system conducted by an independent party shall be used to assign priorities for Completed Applications filed simultaneously. All Completed Applications for firm transmission service received after the initial sixty (60) day period shall be assigned a priority pursuant to Section 13.2.

2.2 Reservation Priority For Existing Firm Service Customers: Existing firm service customers (wholesale requirements and transmission-only, with a contract term of one-year or more), have the right to continue to take transmission service from the Transmission Provider when the contract expires, rolls over or is renewed. This transmission reservation priority is independent of whether the existing customer continues to purchase capacity and energy from the Transmission Provider or elects to purchase capacity and energy from another supplier. If at the end of the contract term, the Transmission Provider's Transmission System cannot accommodate all of the requests for transmission service the existing firm service customer must agree to accept a contract term at least equal to a competing request by any new Eligible Customer and to pay the current just and reasonable rate, as approved by the

Commission, for such service. This transmission reservation priority for existing firm service customers is an ongoing right that may be exercised at the end of all firm contract terms of one-year or longer. For existing customers to contracts for Recallable Long-Term Firm Point-To-Point Transmission Service, this transmission reservation priority applies only to the same Point(s) of Receipt and Point(s) of Delivery. Moreover, the charge for Recallable Long-Term Firm Point-To-Point Transmission Service will be subject to renegotiation annually, and Transmission Customers may be required to pay the Tariff charge for Long-Term Firm Point-To-Point Transmission Service in effect at the time service is rendered for the continuation of service along the same path.

3 Ancillary Services

Ancillary Services are needed with transmission service to maintain reliability within and among the Control Areas affected by the transmission service. The Transmission Provider is required to provide (or offer to arrange with the local Control Area operator as discussed below), and the Transmission Customer is required to purchase, the following Ancillary Services (i) Scheduling, System Control and Dispatch, and (ii) Reactive Supply and Voltage Control from Generation Sources.

The Transmission Provider is required to offer to provide (or offer to arrange with the local Control Area operator as discussed below) the following Ancillary Services only to the Transmission Customer serving load within the Transmission Provider's Control Area (i) Regulation and Frequency Response, (ii) Energy Imbalance, (iii) Operating Reserve - Spinning, and (iv) Operating Reserve - Supplemental. The Transmission Customer serving load within the Transmission Provider's Control Area is required to acquire these Ancillary Services, whether required, the provisions of Section 19 will govern the execution of a Service Agreement. Failure of an Eligible Customer to execute and return the Service Agreement or request the filing of an unexecuted service agreement pursuant to Section 15.3, within fifteen (15) days after it is tendered by the Transmission Provider will be deemed a withdrawal and termination of the Application and any deposit submitted shall be refunded with interest. Nothing herein limits the right of an Eligible Customer to file another Application after such withdrawal and termination.

17.7 Extensions for Commencement of Service: The Transmission Customer can obtain up to five (5) one-year extensions for the commencement of service. The Transmission Customer may postpone service by paying a non-refundable annual reservation fee equal to one-month's charge for Firm Transmission Service for each year or fraction thereof. If during any extension for the commencement of service an Eligible Customer submits a Completed Application for Firm Transmission Service, and such request can be satisfied only by releasing all or part of the Transmission Customer's Reserved Capacity, the original Reserved Capacity will be released unless the following condition is satisfied. Within thirty (30) days, the original Transmission Customer agrees to pay the Firm Point-To-Point transmission rate for its Reserved Capacity concurrent with the new Service Commencement Date. In the event the Transmission Customer elects to release the Reserved Capacity, the reservation fees or portions thereof previously paid will be forfeited.

Impact Study. The charge shall not exceed the actual cost of the study. In performing the System Impact Study, the Transmission Provider shall rely, to the extent reasonably practicable, on existing transmission planning studies. The Eligible Customer will not be assessed a charge for such existing studies; however, the Eligible Customer will be responsible for charges associated with any modifications to existing planning studies that are reasonably necessary to evaluate the impact of the Eligible Customer's request for service on the Transmission System.

(ii) If in response to multiple Eligible Customers requesting service in relation to the same competitive solicitation, a single System Impact Study is sufficient for the Transmission Provider to accommodate the requests for service, the costs of that study shall be pro-rated among the Eligible Customers.

(iii) For System Impact Studies that the Transmission Provider conducts on its own behalf, the Transmission Provider shall record the cost of the System Impact Studies pursuant to Section 20.

19.3 **System Impact Study Procedures:** Upon receipt of an executed System Impact Study Agreement, the Transmission Provider will use due diligence to complete the required System Impact Study within a sixty (60) day period. The System Impact Study shall identify any system constraints and redispatch options, additional Direct Assignment Facilities or Network Upgrades required to provide the requested service. In the event that the Transmission Provider is unable to complete the required System Impact Study within such time period, it shall so notify the Eligible

Customer and provide an estimated completion date along with an explanation of the reasons why additional time is required to complete the required studies. A copy of the completed System Impact Study and related work papers shall be made available to the Eligible Customer. The Transmission Provider will use the same due diligence in completing the System Impact Study for an Eligible Customer as it uses when completing studies for itself. The Transmission Provider shall notify the Eligible Customer immediately upon completion of the System Impact Study if the Transmission System will be adequate to accommodate all or part of a request for service or that no costs are likely to be incurred for new transmission facilities or upgrades. In order for a request to remain a Completed Application, within fifteen (15) days of completion of the System Impact Study the Eligible Customer must execute a Service Agreement or request the filing of an unexecuted Service Agreement pursuant to Section 15.3, or the Application shall be deemed terminated and withdrawn.

19.4 **Facilities Study Procedures:** If a System Impact Study indicates that additions or upgrades to the Transmission System are needed to supply the Eligible Customer's service request, the Transmission Provider, within thirty (30) days of the completion of the System Impact Study, shall tender to the Eligible Customer a Facilities Study Agreement pursuant to which the Eligible Customer shall agree to reimburse the Transmission Provider for performing the required Facilities Study. For a service request to remain a Completed Application, the Eligible Customer shall execute the Facilities Study Agreement and return it to the Transmission Provider within fifteen

22.2 Modification On a Firm Basis: Any request by a Transmission Customer to modify Receipt and Delivery Points on a firm basis shall be treated as a new request for service in accordance with Section 17 hereof, except that such Transmission Customer shall not be obligated to pay any additional deposit if the capacity reservation does not exceed the amount reserved in the existing Service Agreement. While such new request is pending, the Transmission Customer shall retain its priority for service at the existing firm Receipt and Delivery Points specified in its Service Agreement. In addition to the foregoing provisions, Transmission Customers requesting modifications to Receipt and Delivery Points on a firm basis for Recallable Long-Term Firm Point-To-Point Transmission Service may be required to pay the Tariff charge for Long-Term Firm Point-To-Point Transmission Service in effect at time service is rendered for the modified Receipt and Delivery Points.

23 Sale or Assignment of Transmission Service

23.1 Procedures for Assignment or Transfer of Service: Subject to Commission approval of any necessary filings, a Transmission Customer may sell, assign, or transfer all or a portion of its rights under its Service Agreement, but only to another Eligible Customer (the Assignee). The Transmission Customer that sells, assigns or transfers its rights under its Service Agreement is hereafter referred to as the Reseller. Compensation to the Reseller shall not exceed the higher of (i) the original rate paid by the Reseller, (ii) the Transmission Provider's maximum rate on file at the time of the assignment, or (iii) the Reseller's opportunity cost capped at the Transmission Provider's cost of expansion. If the Assignee does not request any change in the Point(s) of Receipt or the Point(s) of Delivery, or a change in any other term or condition set forth in the original Service Agreement, the Assignee will receive the same services as did the Reseller and the priority of service for the Assignee will be the same as that of the Reseller. A Reseller should notify the Transmission Provider